

Alberta Foundation for the Arts

Financial Statements

March 31, 2009

**Alberta Foundation for the Arts
Financial Statements
March 31, 2009**

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Auditor's Report

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

I have audited the statement of financial position of the Alberta Foundation for the Arts as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
June 10, 2009

The official version of this Report of the Auditor General, and the information the Report covers, is in print form.

Alberta Foundation for the Arts
Statement of Operations
For the Year ended March 31, 2009
(thousands of dollars)

	2009		2008
	Budget	Actual	Actual Restated (Note 3)
Revenues			
Internal Government Transfers			
Transfers from the Department of Culture and Community Spirit	\$ 34,984	\$ 34,984	\$ 25,929
Investment Income	525	503	452
Other Revenue			
Prior Years Refunds of Expenses	60	65	70
Donations of Artworks	125	274	13
	<u>35,694</u>	<u>35,826</u>	<u>26,464</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 3)			
Arts Creation and Production	12,918	12,859	9,433
Arts Promotion	10,124	11,296	8,522
Arts Participation	7,390	6,827	5,130
Art Collection and Display	4,917	4,421	3,062
Administration	372	366	341
	<u>35,721</u>	<u>35,769</u>	<u>26,488</u>
Net Operating Results	<u>\$ (27)</u>	57	(24)
Operating Fund Balance, Beginning of Year		<u>1,305</u>	<u>1,329</u>
Operating Fund Balance, End of Year		<u>\$ 1,362</u>	<u>\$ 1,305</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, 2009
(thousands of dollars)

	2009	2008
Financial Assets		
Cash and Short-Term Investments (Note 4)	\$ 1,377	\$ 2,153
Accrued Interest	-	15
Accounts Receivable (Note 5)	5	55
	1,382	2,223
Cash Appropriated for Non-Current Use (Note 4)	467	467
Tangible Capital Assets (Note 6)	174	201
	\$ 2,023	\$ 2,891
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 194	\$ 1,119
Fund Balances		
Operating	1,362	1,305
General Reserve – Restricted (Note 8)	467	467
	1,829	1,772
	\$ 2,023	\$ 2,891

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

Alberta Foundation for the Arts
Statement of Cash Flows
For the Year ended March 31, 2009
(thousands of dollars)

	2009	2008
Operating Transactions		
Net Operating Results	\$ 57	\$ (24)
Non-cash Items included in Net Operating Results		
Amortization of Tangible Capital Assets	27	27
	84	3
Decrease (Increase) in Accounts Receivable and Accrued Interest	65	(49)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(925)	226
	(776)	180
Cash (Applied to) Provided by Operating Transactions		
(Decrease) Increase in Cash	(776)	180
Cash and Short-Term Investments, Beginning of Year	2,153	1,973
Cash and Short-Term Investments, End of Year	\$ 1,377	\$ 2,153

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

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

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 generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(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.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

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

(b) Basis of Financial Reporting (continued)

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.

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 disclosed in Schedule 3.

Assets

Financial assets of the Foundation are limited to cash and financial claims such as accounts receivable from other organizations as well as accrued interest.

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 \$100,000 and the threshold for all other capital assets is \$5,000.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

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

(b) Basis of Financial Reporting (continued)

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.

Investments

Investments are recorded at cost. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

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

Note 3 Program Transfer (thousands of dollars)

The Major Facilities grant program was transferred from the Foundation to the Department of Culture and Community Spirit, and the Grant MacEwan Scholarships program was transferred from the Department to the Foundation. Comparatives for 2007-08 have been restated for these transfers. The effect was to decrease revenues by \$705 from \$27,169 to \$26,464 and to decrease expenses by \$705 from \$27,193 to \$26,488.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

Note 4 Cash and Short-Term Investments and Cash Appropriated for Non-Current Use (thousands of dollars)

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, 2009, securities held by CCITF have a time-weighted return of 3.0% (2008 – 4.5%) per annum.

Short-term investments consisted of deposits in the amount of \$0 (2008 – \$300) with life insurance companies maturing April 4, 2008.

Cash appropriated for non-current use in the amount of \$467 (2008 – \$467) has been internally restricted and is therefore not available to pay for operating expenses of the Foundation (Note 8).

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

Note 5 Accounts Receivable (thousands of dollars)

	2009			2008
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 5	\$ -	\$ 5	\$ 55

Accounts receivable are unsecured and non-interest bearing.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

Note 6 Tangible Capital Assets (thousands of dollars)

	Equipment	Computer Hardware and Software	2009 Total	2008 Total
Estimated Useful Life	10 years	4 years		
Historical Cost				
Beginning of Year	\$ 268	\$ 20	\$ 288	\$ 301
Additions	-	-	-	-
Disposals	-	-	-	(13)
	<u>\$ 268</u>	<u>\$ 20</u>	<u>\$ 288</u>	<u>\$ 288</u>
Accumulated Amortization				
Beginning of Year	\$ 67	\$ 20	\$ 87	\$ 73
Amortization Expense	27	-	27	27
Effect of Disposal	-	-	-	(13)
	<u>\$ 94</u>	<u>\$ 20</u>	<u>\$ 114</u>	<u>\$ 87</u>
Net Book Value at March 31, 2009	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 174</u>	
Net Book Value at March 31, 2008				<u>\$ 201</u>

Note 7 Artworks and Collections

The Alberta Foundation for the Arts 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 year end, the collection consisted of approximately 7,835 (2008 – 7,641) artworks with an approximate value of \$10,496,850 (2008 – \$9,506,000). During the year, the Foundation purchased 190 (2008 – 116) artworks by Alberta artists at a total cost of \$716,550 (2008 – \$402,750). Contributions to the collection included 4 (2008 – 15) artworks with an appraised value of \$274,300 (2008 – \$13,240). There were no artwork dispositions during the year (2008 – Nil). The collection is insured.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

Note 8 General Reserve (thousands of dollars)

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 9 Contractual Obligations (thousands of dollars)

	2009	2008
Grant Agreements	\$ 2,350	\$ 6,300
Service Contracts	1,025	823
	\$ 3,375	\$ 7,123

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

	Grant Agreements	Service Contracts	Total
2010	\$ 2,350	\$ 838	\$ 3,188
2011	-	187	187
	\$ 2,350	\$ 1,025	\$ 3,375

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the Year ended March 31, 2009**

Note 10 Honoraria (thousands of dollars)

	2009			2008
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total
Board ^(c)				
Chair	\$ 2	\$ -	\$ 2	\$ 3
Other Members (10)	26	-	26	26
	\$ 28	\$ -	\$ 28	\$ 29

- ^(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 Directive 03/2004, 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 11 Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 presentation.

Note 12 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

Alberta Foundation for the Arts
Expenses – Directly Incurred Detailed by Object
For the Year ended March 31, 2009
(thousands of dollars)

	2009		2008
	Budget	Actual	Actual Restated (Note 3)
Grants	\$ 32,118	\$ 31,193	\$ 23,642
Supplies and Services	1,405	1,806	1,296
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	1,600	1,725	1,078
Acquisition of Artworks	400	716	403
Donations of Artworks	125	274	13
Honoraria (Note 10)	46	28	29
Amortization of Tangible Capital Assets	27	27	27
	\$ 35,721	\$ 35,769	\$ 26,488

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

Alberta Foundation for the Arts
Related Party Transactions
For the Year ended March 31, 2009
(thousands of dollars)

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 permits, 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 in 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	
	2009	2008	2009	2008
		Restated (Note 3)		
Revenues				
Transfers from the Department of Culture and Community Spirit	\$ 34,984	\$ 25,929	\$ -	\$ -
Expenses – Directly Incurred				
Grants	\$ -	\$ 148	\$ 150	\$ -
Other Services	-	-	11	11
	\$ -	\$ 148	\$ 161	\$ 11
Accounts Receivable	\$ -	\$ -	\$ -	\$ 50
Accounts Payable	\$ 10	\$ 19	\$ -	\$ -

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

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	
	2009	2008	2009	2008
Expenses – Incurred by Others				
Accommodation Costs	\$ -	\$ -	\$ 459	\$ 464
Other Services	255	341	-	-
Legal Services	-	-	4	-
Internal Audit Services	-	-	11	-
	\$ 255	\$ 341	\$ 474	\$ 464

**Alberta Foundation for the Arts
Allocated Costs
For the Year ended March 31, 2009
(thousands of dollars)**

Program	2009					2008	
	Expenses – Incurred by Others					Restated (Note 3)	
	Expenses ^(a)	Accommodation Costs ^(b)	Other Services ^(c)	Legal Services ^(d)	Internal Audit Services ^(e)	Total Expenses	Total Expenses
Arts Creation and Production	\$ 12,859	\$ 14	\$ 72	\$ 1	\$ -	\$ 12,946	\$ 9,520
Arts Promotion	11,296	14	48	1	11	11,370	8,616
Arts Participation	6,827	13	47	1	-	6,888	5,221
Art Collection and Display	4,421	409	37	1	-	4,868	3,505
Administration	366	9	51	-	-	426	431
	<u>\$ 35,769</u>	<u>\$ 459</u>	<u>\$ 255</u>	<u>\$ 4</u>	<u>\$ 11</u>	<u>\$ 36,498</u>	<u>\$ 27,293</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 Executive Council provided Internal Audit Services. Costs shown for Internal Audit Services on Schedule 2, allocated by estimated costs incurred by each program.