

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non-Consolidated Financial Statements

Year ended December 31, 2017

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

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Year ended December 31, 2017

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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, 2017, 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 the 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 non-consolidated financial position of Calgary Arts Development Authority Ltd. as at December 31, 2017, and its non-consolidated results of operations, its non-consolidated remeasurement gains and losses, its changes in net assets, and its non-consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

March 13, 2018
Calgary, Canada

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non- Consolidated Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 260,493	\$ 222,447
Short term investments (Note 3)	625,000	625,000
Accounts receivable	4,180	4,322
Goods and services tax receivable	6,250	7,532
Prepaid expenses	30,764	55,905
Refundable deposits	12,326	12,326
	939,013	927,532
Capital assets, net (Note 4)	12,346	-
	\$ 951,359	\$ 927,532
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 73,211	\$ 197,784
Grant liabilities (Note 6)	343,309	247,129
Deferred contributions (Note 7)	85,000	213,750
	501,520	658,663
Net Assets		
Internally restricted (Note 8)	449,839	268,869
	\$ 951,359	\$ 927,532
Commitments (Note 13)		

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, 2017, with comparative information for 2016

	Budget	2017	2016
Revenues			
City of Calgary grant	\$6,180,000	\$ 9,182,500	\$ 6,932,500
Revenue from other sources (Note 9)	639,000	673,488	632,704
Miscellaneous income (Note 10)	113,000	97,180	107,442
Rental income	2,000	13,321	5,053
Interest income	10,000	10,078	3,789
Foreign exchange gain	-	1,252	-
	6,944,000	9,977,819	7,681,488
Expenses (Note 11)			
Grant expense – City of Calgary	4,347,820	7,351,575	5,132,500
Grant expense – City of Calgary – cSPACE (Note 14)	272,000	272,000	320,000
Total grant expense – City of Calgary	4,619,820	7,623,575	5,452,500
Grant expense – other sources (Note 12)	415,250	341,143	457,735
Salaries and employee benefits	682,071	729,190	608,252
Consulting and project management	554,733	449,560	633,534
Advertising and promotion	126,500	161,384	63,847
Rent	158,100	149,766	152,266
Catering and hosting	158,500	152,291	104,431
Volunteer development	51,500	50,603	51,394
Telecommunications	49,000	49,583	34,366
Professional fees	33,250	30,685	26,935
Office supplies	25,370	28,569	22,518
Travel and parking	22,140	22,174	17,277
Artist and speaker fees	8,500	3,500	2,700
Bank charges and miscellaneous	4,500	3,062	3,284
Amortization	4,000	1,764	-
Foreign exchange loss	-	-	26,476
	6,913,234	9,796,849	7,657,515
Excess of revenues over expenses	\$30,766	\$ 180,970	\$ 23,973

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, 2017, with comparative information for 2016

	Internally restricted (Note 8)	Unrestricted	2017	2016
Net assets – beginning of year	\$ 268,869	\$ -	\$ 268,869	\$ 244,896
Excess of revenues over expenses	-	180,970	180,970	23,973
Interfund transfer	180,970	(180,970)	-	-
Net assets – end of year	\$449,839	\$ -	\$ 449,839	\$ 268,869

See accompanying notes to non-consolidated financial statements.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenses	\$ 180,970	\$ 23,973
Add back non-cash items:		
Amortization of capital assets	1,764	-
Changes in non-cash working capital:		
Accounts receivable	142	48,422
Goods and services tax receivable	1,282	(773)
Prepaid expenses	25,141	(18,343)
Refundable deposits	-	500
Accounts payable and accrued liabilities	(124,573)	164,836
Grant liabilities	96,180	17,346
Deferred contributions	(128,750)	107,250
Cash flows from operating activities	52,156	343,211
Investing Activities		
Redemption of short term investments	625,000	376,841
Purchase of short term investments	(625,000)	(625,000)
Purchase of capital assets	(14,110)	-
Cash flows (used in) from investing activities	(14,110)	(248,159)
Increase in cash and cash equivalents	38,046	95,052
Cash and cash equivalents, beginning of year	222,447	127,395
Cash and cash equivalents, end of year	\$ 260,493	\$ 222,447

See accompanying notes to non-consolidated financial statements

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

Year ended December 31, 2017, with comparative information for 2016

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, a controlled entity, are disclosed in note 14 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.

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

Year ended December 31, 2017, with comparative information for 2016

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.

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

Year ended December 31, 2017, with comparative information for 2016

(h) 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.

(i) 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 of \$625,000 (2016 - \$625,000) consist of bank issued Guaranteed Investment Certificates (GICs) with an interest rate of 1.2% (2016 – 0.70%). 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, 2017, with comparative information for 2016

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2017 Net	2016 Net
Computer Equipment	\$ 14,110	(\$1,764)	\$ 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:

	2017	2016
Cash and cash equivalents	\$ 69	\$ 72
Accounts payable and accrued liabilities	\$ -	\$70,266

In addition to these monetary assets, CADA has an outstanding commitment denominated in U.S. dollars as described in Note 13.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements**Year ended December 31, 2017, with comparative information for 2016****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.

6. GRANT LIABILITIES

	2017	2016
Balance, beginning of the year	\$ 247,129	\$ 229,783
Add: liabilities approved during the year	8,075,638	5,961,281
Less: liabilities paid out during the year	(7,979,458)	(5,943,935)
Balance, end of the year	\$ 343,309	\$ 247,129

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

Year ended December 31, 2017, with comparative information for 2016

6. GRANT LIABILITIES, continued

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

	2017	2016
Remarkable Experience Accelerator Program	\$ 158,832	\$ 33,225
Mayor's Lunch (Artist Legacy Awards)	84,000	108,250
Equinox Vigil	40,000	72,000
Operating Grant	37,500	11,977
Community Investment	22,977	-
City of Calgary Event Stimulus Program	-	17,375
Calgary 2012 Legacy Grants	-	4,302
	\$ 343,309	\$ 247,129

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.

	2017	2016
SpaceFinder	\$ 50,000	\$ -
Mayor's Lunch (Artist Legacy Awards)	26,000	31,250
Poet Laureate	9,000	-
New Pathways	-	150,000
Arts Spaces Research	-	32,500
	\$ 85,000	\$ 213,750

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

Year ended December 31, 2017, with comparative information for 2016

7. DEFERRED CONTRIBUTIONS, continued

Continuity of deferred contributions is as follows:

	2017	2016
Balance, beginning of year	\$ 213,750	\$ 106,500
Less amount recognized as revenue in the year	(344,500)	(121,500)
Add amount received related to future years	215,750	228,750
Balance, end of year	\$ 85,000	\$ 213,750

8. INTERNALLY RESTRICTED

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

(a) Contingency Operating Reserve - \$150,000 (2016-\$91,473)

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

(b) Community Investment Reserve - \$229,839 (2016-\$177,396)

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, 2017, management identified \$229,839 (2016 - \$177,396) to support strategic business plan initiatives.

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

Year ended December 31, 2017, with comparative information for 2016

9. REVENUE FROM OTHER SOURCES

	Budget	2017	2016
Remarkable Experience Accelerator Program	\$400,000	\$ 274,393	\$ 426,250
New Pathways	161,000	250,000	65,000
Space Finder	15,000	45,000	38,000
Equinox Vigil	20,000	37,000	33,000
Mayor's Lunch (Artist Legacy Awards)	32,500	32,500	36,000
Summer Temporary Employment Program	-	11,760	-
Other Sources	-	10,835	150
Poet Laureate	10,500	9,000	9,000
Cultural Space Investment Process	-	3,000	-
Invest YYC	-	-	22,304
Alberta Foundation for the Arts	-	-	3,000
	\$ 639,000	\$ 673,488	\$ 632,704

10. MISCELLANEOUS INCOME

	Budget	2017	2016
Program income	\$ 113,000	\$97,180	\$107,442
	\$ 113,000	\$ 97,180	\$ 107,442

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

Year ended December 31, 2017, with comparative information for 2016

11. EXPENSES BY DEPARTMENT

	Budget	2017	2016
Community Investment	\$ 5,781,293	\$8,705,338	\$6,544,897
Operations	486,450	470,325	347,127
Engagement	291,940	361,405	523,535
Communication	353,551	259,781	241,956
	\$ 6,913,234	\$9,796,849	\$ 7,657,515

12. GRANTS EXPENSE FROM OTHER SOURCES

	Budget	2017	2016
Remarkable Experience Accelerator Program	\$365,250	\$ 263,308	\$ 366,250
Equinox Vigil	20,000	37,000	33,000
Mayor's Lunch (Artist Legacy Awards)	30,000	30,000	35,000
Other		10,835	-
Invest YYC	-	-	23,485
	\$ 415,250	\$ 341,143	\$ 457,735

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

Year ended December 31, 2017, with comparative information for 2016

13. 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:

2018	142,363
2019	147,664
2020	149,431
2021	149,431
2022	149,431
Thereafter	<u>186,788</u>
	<u>\$ 925,108</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:

2018	5,246
2019	<u>3,934</u>
	<u>\$ 9,180</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 2017- \$nil (2016 - \$210,800)).

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.

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

Year ended December 31, 2017, with comparative information for 2016

14. CONTROLLED AND RELATED ENTITY – cSPACE Projects, continued

Financial summaries of cSPACE as at December 31, 2017 and 2016 and for the years then ended are as follows:

	2017	2016
Financial Position		
Total Assets	\$32,370,370	\$29,315,627
Total Liabilities	20,107,718	16,758,033
Net Assets	\$12,262,652	\$12,557,594
Results of Operations		
Total Revenues	\$1,263,177	\$461,800
Total Expenses	1,558,119	692,480
Gain on disposal of lands	-	4,500,000
(Deficiency) excess of revenues over expenses	\$(294,942)	\$4,269,320

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

Year ended December 31, 2017, with comparative information for 2016

14. CONTROLLED AND RELATED ENTITY – cSPACE Projects, continued

	2017	2016
Cash Flows		
Cash flows from (used by) from operations	\$1,341,631	\$(46,177)
Cash flows from financing activities	4,333,180	3,673,880
Cash flows used in from investing	(7,055,239)	(2,726,088)
Net change in cash	\$(1,380,428)	\$ 901,615

During 2017, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$272,000 (2016 - \$320,000) of funding to cSPACE.

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

15. 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 6, 2016.

16. COMPARATIVE FIGURES

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