

**Calgary Arts Development Authority
Audit Governance Status
June 23, 2017**

1. A brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2017 initiatives/strategy

Calgary Arts Development strives to increase and use our resources wisely, foster collaborative relationships and make the arts integral to the lives of Calgarians.

Our Vision: *A creative, connected Calgary through the arts.*

Our Mission: *Calgary Arts Development supports and strengthens the arts to benefit all Calgarians.*

As the city's designated arts development authority, Calgary Arts Development Authority (CADA) supports and strengthens the arts to benefit all Calgarians. We invest and allocate municipal funding for the arts provided by The City of Calgary and leverage these funds to provide additional resources to the arts sector. Our programs support hundreds of arts organizations, individual artists, artist collectives and ad hoc groups in Calgary.

We are a connector, facilitator, collaborator, champion, supporter, amplifier, investor, catalyst and opportunity-maker.

Governance Structure

Calgary Arts Development Authority (CADA) is a wholly owned subsidiary of the City of Calgary and was incorporated in 2005 under Section 6 of the Business Corporations Act. Our creation was the next iteration of over 50 years of civic investment in the arts via a volunteer run entity called the Calgary Region Arts Foundation. In 2004, the City of Calgary created a Civic Arts Policy which called for a new organization to be developed to continue to provide grant investment programs for the arts in Calgary and prepare a strategic direction overall. Since our inception, our organization is guided by the following governance statutes, policies, and agreements:

- Articles of incorporation – Within the articles, CADA's business is restricted to: "The Corporation may carry on any and all such business activities as may directly or indirectly contribute to, foster, or promote the development of arts and culture in Calgary". CADA's business is restricted from: "The Corporation shall not operate for the purpose of making a profit in accordance with the restrictions of the Municipal Government Act M-26 RSA2000". The Articles of Incorporation also specify a minimum number of 3 board members and a maximum number of 15.
- Unanimous Shareholders Agreement (USA) with the City of Calgary who is the sole shareholder of CADA, and is represented by the Mayor and members of City Council, outlines the authority given to the Board of Directors of CADA in managing the business and affairs of the organization pursuant to the Business Corporations Act, R.S.A. 2000, Chapter B-9, as amended.
- Calgary Arts Development Authority Bylaws and the Calgary Arts Development Authority Governance Policy Manual (reviewed on an annual basis and last updated in November 2016,) provide the governing principles and policies upon which the CADA Board operates.

- City of Calgary Civic Arts Policy 2004 (scheduled for update Fall 2017), - The current policy is credited with the creation of Calgary Arts Development and is foundational to how the City and CADA work together to achieve outcomes for the City and ultimately for the benefit of Calgarians. CADA is currently working with City Administration on the policy review and any relevant updates as they apply to CADA's work.
- City of Calgary Cultural Plan (adopted by City Council Fall 2016) – The newly adopted Cultural Plan offers a framework and strategy that CADA's own strategy can align to in order to identify areas of impact that our work can assist in realizing in the Cultural Plan. We look forward to continuing our work with City Administration to implement the Plan through our work.
- City of Calgary Investments in Partnerships Policy (updated 2016)

Calgary Arts Development is governed by a Board of Directors, appointed by and directly accountable to its Shareholder, The City of Calgary, via City Council. The Board of Directors governs lawfully, observing the principles of the policy governance model, with an emphasis on strategic leadership and clear distinction of Board and CEO roles. The Board also identifies the principal risks of Calgary Arts Development's business, achieves a proper balance between risks incurred and potential returns, and oversees the development of policies and the implementation of appropriate systems to manage the risks.

In 2016, there were five regular board meetings and a two-day retreat scheduled, with an attendance record of 82%.

CADA's Board of Directors carries out its responsibilities using the following core committee structure.

Finance and Audit - the purpose of the Finance & Audit Committee (FAC) is to assist the Board in fulfilling its oversight responsibilities by reviewing and making recommendations to the Board regarding: financial information, including audited financial statements, that will be provided to the Board of Directors and other stakeholders, the systems of internal controls, internal audit processes, and investment management activities.

Governance and Human Resources - the Governance and Human Resources Committee (GHRC) has three areas of responsibility: Governance matters, including management of the relationships between the Board and the CEO and between Calgary Arts Development and the Shareholder, all as defined in the policy manual approved by the Board May 20, 2009 and updated in November 2016, human resources policy development and oversight, including review of CEO hiring, performance evaluation, compensation, development, and termination, and board recruitment, development, and evaluation.

Strategy and Public Policy - the Strategy and Public Policy Committee's (SPPC) mandate includes: considering and making recommendations to the Board of Directors on matters affecting strategy and public policy within Calgary Arts Development's mandate, providing guidance and evaluation to the board of directors for the development and evaluation of Calgary Arts Development's alignment with our mission and vision, and facilitates strategic planning process in coordination with the board.

The Board elects a Chair and Treasurer annually. All members of the Board sit on at least 1 of the three core committees.

The current members of the CADA Board are as follows:

Chair: Dean Prodan

Treasurer: Tim Mah, CA

Members: Patrick Finn (Chair, Strategy and Public Policy Committee), Cheryl Foggo, Donna Friesen, Rob Harding, Stacey Petriuk, Susan Veres, Katherine Wagner (Chair, Governance and HR Committee), Cllr. Evan Woolley

Succession Planning and Recruitment Process

Members of the CADA board are appointed for 2 or 3 year terms with the maximum service length on the Board set at 6 years. Through the GHRC, due diligence is undertaken to review all existing members as well as any possible candidates for consideration; many of whom are drawn from other volunteer pools with CADA and the arts community (e.g. grant investment assessors for CADA, past board members with other arts boards). A skills matrix has been developed and is also used by GHRC as a tool to ensure that the appropriate expertise and skills are present within the board membership. An annual board evaluation survey is also distributed and results are shared with the entire Board for consideration and information.

On the staff side, the team is comprised of 13.3 FTE fulfilled by 10 staff and 3-5 independent contractors. With an executive leadership team of 3 we are comfortable that we have sufficient senior level expertise in place to facilitate any transitions at that level on an interim basis and allow for a full search. With a small team we are not one that can easily facilitate internal succession but do try to recruit new staff with this in mind and try to ensure that we have overlapping of duties so that transition of one person doesn't lose the entire job duty history. Further we focus on professional development opportunities for all staff as a means of staff retention and always ensuring current skill and expertise levels and has served us well.

Financial Highlights

The Financial Statements for the Year Ended December 31, 2016, the 2016 vs. 2015 variance analysis and the Audit Findings Report from our auditor, KPMG are attached to this report.

KPMG provided an unqualified audit opinion and reported that there were no significant financial reporting risks identified during the audit planning and subsequent audit process.

In line with the 2004 Calgary Civic Arts Policy, Calgary Arts Development is responsible for establishing arts investment programs for capital projects, organizations' annual operations, individual artists and other purposes that strengthen Calgary's arts sector.

Calgary Arts Development invests at least 75% of the dollars received from The City of Calgary directly into the arts sector through grant investment programs, with the remaining 25% being used to strengthen the arts sector through arts development activities and administration.

Calgary Arts Development's approach to investment is broad, including direct monetary support through grant investments as well as fostering long-term resilience through capacity building in the arts sector. We ran the following investment programs in 2016: Artist Opportunity Grant

Program, New Pathways for the Arts Operating Grant Program, Remarkable Experience Accelerator, Organization Opportunity Grant Program (new in 2016), Small Experiment Grant Program (new in 2016), and ArtShare.

In total, Calgary Arts Development invested \$4,589,735 through these programs in 2016, a .8% increase over 2015. In addition to regular programs, in 2016 Calgary Arts Development also administered the Emergency Arts Resiliency Fund on behalf of The City of Calgary, which saw an additional \$1 million invested into the arts sector.

Key 2017 Initiatives/Strategies

In 2014, Calgary Arts Development finalized its 2015 to 2018 Strategic Plan. The plan's three strategic priorities are:

1. **Raise Value:** Calgary Arts Development continues its leadership role in the arts and with other stakeholders to make the arts integral to the lives of Calgarians.
2. **Build Relationships:** Calgary Arts Development fosters collaborative relationships across sectors and communities to help ensure that Calgarians can experience art in their everyday lives.
3. **Increase Resources:** Calgary Arts Development identifies ways to increase and sustain our finances and expertise, and uses these resources wisely for greater impact.

These priorities all contribute to Calgary Arts Development's desired outcome for 2018: "By 2018, Calgary is recognized as a creative and artistically vibrant city that inspires Calgarians and the world." Overall, the 2015 to 2018 Strategic Plan aligns with four out of five City priorities in The City of Calgary's Action Plan (A Prosperous City, A City of Inspiring Neighborhoods, A Healthy & Green City, and A Well-Run City), and is explicitly aligned to Living a Creative Life: an Arts Development Strategy for Calgary.

We are calling 2017 the Year of Activation. This means we are taking an especially focused action-oriented approach to all of the work we do.

1. Build and leverage partnerships with other civic partners, thought leaders, community builders and innovators in Calgary and beyond to advance our shared vision for Calgary.
2. Participate as needed in aligning our work to that of The City's new Cultural Plan and the upcoming updated Civic Arts Policy.
3. Make more connections and participate in reconciliation efforts through a partnership with the Kainiistsii Treaty Arts Society through Artsdance, with Making Treaty 7, and other initiatives.
4. Expand the Living a Creative Life movement in pursuit of celebrating Calgary as a creative city, and sharing stories of how Calgarians are living creatively to realize positive change and enhances the lives of others.
5. Map the arts ecosystem – in 2016 we compiled a lot of quantitative and qualitative research and dug into the data we have been collecting over the past two years to examine Calgary's arts ecosystem. In 2017 we are working with LocalIntel to make meaning out of that data and to visualize the ecosystem. This project will help shape the work we do at Calgary Arts Development for greater impact in developing a more sustainable, healthy, vibrant arts sector for the benefit of our city and all citizens.

6. Continue a focus on valuable research.
 - a. Emiko Muraki, Director of Community Investment and Impact at Calgary Arts Development, is an active participant on a number of research initiatives including the Calgary Board of Education Fine Arts research sub-committee, Canadian Public Arts Funders (CPAF), the Calgary Evaluation Community of Practice, and the Prairie Partnership for Arts Research (PPAR).
 - b. In 2016 we completed an Arts Engagement survey conducted by Stone Olafson, which will be published in 2017.
 - c. We are currently conducting research within the Calgary arts sector to provide a baseline to determine how the sector is faring regarding diversity of representation amongst professional companies and processes for equity and inclusion that are embedded in our arts sector organizations.
 - d. In 2017 we will publish the new Arts and Culture Infrastructure report based on what was learned through research and community consultation.
 - e. In 2017 we will conduct a second professional artist survey, following up on the one that was done in 2014.
 - f. In 2017 we will prepare a new report on *Living a Creative Life*, subsequent to the baseline report that was published in 2014.
7. Activate our partnership with the Calgary Congress for Equity and Diversity in the Arts (CCEDA). This includes training, community consultation, and the creation of assessment and evaluation tools to measure equity and diversity in the arts in Calgary.
8. Engage with the community at the Creative Calgary Congress as well as through additional ways of convening people to explore ideas around arts and community building, education, poverty reduction, innovation, and other ways to be of service to our city.
9. Engage in a strategic planning process with our board and staff to prepare for our next strategic plan 2019-2022.

Report on CADA's key operating and strategic risks including trends and risk management plans and processes; and analysis of top three risk that in your opinion would impact the City of Calgary and/or be of concern to the City's Audit Committee

1. The Value Risk. Our number one strategic priority is to Raise the Value of the Arts. The risk is related to what will happen if we are not successful in raising the value. We know through various surveys that people see the arts as something of value, but if we are not able to communicate and share what it is then we run the risk of the arts potentially becoming something seen as superfluous instead of something truly valued. We are managing this risk by developing partnerships with other city-builders and aligning our strategies with theirs to ensure we are all working together to create a great city using whatever mechanisms and means we have at our disposal.
2. Financial Risk. Financially, we are almost entirely dependent on one source of revenue. It is hard in the current economic climate to leverage our single source of

funding and because it has been relatively static, the health and vibrancy of our arts sector is at serious risk. There are two primary ways we are managing this risk. The first is that we are gathering data in order to build an evidence-based case for increased investment from The City of Calgary in order to get our grant investees up to par with their peers across Canada. Thankfully, both the federal and provincial governments have increased their investments in the arts and we are hopeful that the City will follow suit in the next budget cycle. The second way we are managing this risk is that we are applying to create a charitable foundation through which we will be able to fundraise for the arts sector as a whole. This is not to compete with our grant investees but, rather, to increase resources from individuals and companies who may wish to support the arts but do not want to select one organization over another. There are a variety of successful models in the US known as United Arts Fund campaigns.

3. HR Risk. From a governance perspective, because we want a board that's highly engaged we have purposely kept it small. Having a small board increases the risk of having a higher percentage of new people at once when we have transitions. There are two board members changing in 2017 so we are managing the transitions carefully.

In terms of staff talent management, we have a very small and specialized staff, with the addition of consultants and juries when needed. We intentionally keep our administration as lean as possible in order to ensure the majority of our funds are directed into the community through grant investment and capacity building programs. We purposely seek out individuals who possess strong adaptive capacity and change management skills. Having a small team means that the separation of duties is hard – everyone needs to be able to double up. We have accepted the risk of non-segregated duties within our Community Investment team in order to ensure efficiency, resiliency and adaptivity.

4. Reputational Risk. For Calgary Arts Development – the more people know us, the more they believe we have influence and the more they start to connect Calgary Arts Development with all things to do with the arts. This can create confusion when it comes to things like public art, for example, or specific arts programming of one of our clients. For the City – the public isn't always aware of the investment by The City or how much is done with a small investment – how a little goes a long way. The risk is that there isn't actually enough investment to create a strong arts sector. This puts our city's reputation as a vibrant city—an attractive city to live in—at risk, which is already challenged by local and national perception, which are exacerbated by the economic downturn.

CADA has an internal control framework that is fit for purpose, given the size of the organization.

We have a number of operational policies in place that govern our internal processes and procedures with regard to Finance, Governance and Operations. They are as follows:

Finance:

Credit and Limits Policy (last updated April 2012 – due for review in 2017) establishes the terms and conditions as they relate to: Credit Instruments, Accounts Payable, Accounts Receivable, Signing Authorities (dual signature >\$500) and Purchase Limits

Governance:

Board Policy Governance Manual (last updated November 2016) is reviewed by the Governance and HR Committee and provides all of the base board policies and terms of reference for proper governance and stewardship of the organization.

Compliance Certificate (provided on a quarterly basis at every board meeting) is provided by the CEO and ensures compliance in a timely manner with month end procedures, quarter end procedures and timely remittance of all CRA deductions and fees.

Operations:

Employment Policy Manual (last updated September 2016) governs all internal human resource, operational and administrative matters as they pertain to our staff.

Next Digital IT Controls Summary – We have a firm who provides IT services to CADA. They have recently upgraded our security with a replacement firewall, wireless solution and new server including backups. The server is also fully updated with windows server 2012R2.

Our contract with Next Digital includes the following: Help Desk services, incident response, and onsite and remote support; Network monitoring, configuration and management; Server monitoring, configuration, management, and backup/restoration; Security management, including user access, virus protection, and vulnerability management; Operating System, hardware, and operations management; an annual review of our systems that is followed by recommended upgrades. According to our most recent annual review, the only known vulnerability at this time is the need for more endpoint protection; which CADA is exploring, however requires additional budget that we do not currently have.

In addition, CADA was advised to be prepared to answer the following questions:

1. What is the frequency of review and are there any recent changes to the Audit Committee Charter or Terms of Reference?

Each of the three core committees has an annual work plan that they review and follow to inform their work. The Finance and Audit Committee terms of reference was updated in 2016 to ensure consistency in wording across all committees. No changes were made to the mandate of the committee. The Finance and Audit committee meets prior to every quarterly board meeting and in 2016 met on the following dates:

Date	Core Activities
March 15, 2016	Review 2015 Draft Financial Statements and 2014 to 2015 Variance Reports; 2015 Audit Wrap-up with KPMG; Review and Revise Finance & Audit Committee Terms of Reference
May 10, 2016	Review Final 2015 Audited Financial Statements; Review 2016 Q1 Financial Statements, Variance Report, and 2016 Projections;
September 20, 2016	Review 2016 Q2 Financial Statements, Variance Report, 2016 Projections; Review 2017 Draft Budget & Priorities;
November 29, 2016	Review 2016 Q3 Financial Statements, Variance Report, 2016 Projections; 2017 Audit Planning Report with KPMG; Review and Recommend 2017 Budget and Variance Report

2. What is the current composition of the Audit Committee and what is their relevant financial experience?

The Finance and Audit Committee consists of three members plus the Board Chair (ex officio).

Tim Mah, CA: Committee Chair; Board member since 2013

Tim Mah is a chartered accountant with over 25 years of experience, developed in the energy, public accounting and non-profit sectors. His expertise includes financial reporting and accounting, budgeting, strategic planning, and governance. He held various senior management positions at a large, Calgary-based, public energy company. His volunteer experience included ten years as a board member and Treasurer with Calgary's Decidedly Jazz Danceworks. He holds a Bachelor of Commerce degree, with distinction, from the University of Alberta.

Susan Veres: Committee member; Board member since 2014

Senior Vice President, Strategy & Business Development for the Calgary Municipal Land Corporation (CMLC)

Susan joined CMLC as VP Marketing & Communications in 2009. Together with her team, she successfully rebranded Calgary's East Village and transformed the neighbourhood's image from one of the most downtrodden areas in the city to one of its most desirable and sought-after real estate addresses. As Senior VP Strategy & Business Development, Susan plays key roles both in stewarding current CMLC projects and in evaluating and securing future opportunities that fit with the organization's mandate and capabilities.

In her 20-plus year career, Susan has worked across multidisciplinary teams to create strong brands, grow partner investment and create meaningful public engagement. She has worked with notable brands including Coca-Cola, Triple 5 Corporation and West Edmonton Mall, Canadian Olympic Committee and International Association of Athletics Federation, Canadian Academy of Recording Arts and Sciences (CARAS), and more.

Robert Harding, CPA, CMA: Committee member since 2015; Board member since 2017

CFO, Climate Smart Group and Carbon Credit Solutions Inc.

Rob works with a broad range of industries, providing senior level support and input on strategy development/re-alignment, operations optimization, systems analysis and implementation, financings and public listings. Prior to this, he held progressively senior roles in oil and gas, engineering, procurement and construction and transportation companies including an extensive tenure with Athabasca Oil Corporation, three years with a Middle East LNG firm and 18 months with a resource company in the Caribbean. These international roles allowed Rob to demonstrate his skills while operating with different cultures and business practices

Rob obtained the CPA, CMA accounting designation in 1996, an MBA from the University of Manchester (UK) in 2006 and the ICD.D from the Institute of Corporate Directors in 2014. He serves on the board of New Global Acreage Resources, the Registration Committee of the Chartered Professional Accountants of Alberta, the Finance and Audit Committee of Calgary Arts Development and the Program Advisory Council – Business for SAIT Polytechnic. Mr. Harding is also a volunteer with Junior Achievement of Southern Alberta and was previously a member of the board and the Audit and Risk Committee of CMA Alberta.

Dean Prodan (ex officio): Board Member since 2013

CFO and Director of Whitehorn Resources Ltd., Portfolio Manager for Priviti Capital Corp. and Director of Whitewater Ski Resort

Mr. Prodan is most recently employed as President and sole owner of UTA Asset Management. Previous employment from 1989 to 2009 consists of four years as an Institutional Salesmen for Peters & Co. Ltd., five years as Managing Director and co-founder of FirstEnergy Capital Corp., four years as President and Portfolio Manager of Dominion Equity Resource Fund and Managing Director of Canfund VE Management Corp.

He has current board positions on several private companies including Chair of the Board for Markwater Handling Systems and Cool It Systems Inc., Director of Canadian Energy Acquisition Corp. Also active on the Advisory Board of Priviti Capital Corp. Other board and volunteer activities in the not-for-profit sector dean is involved in include his current position as Board Chair of the Calgary Arts Development Authority, a Director of The Palix Foundation, member of the Investment Committee for the Max Bell Foundation, Board member for the Calgary Stampede Foundation and a member of the Regional Board of the Nature Conservancy of Canada.

3. Have there been any significant changes to organizational leadership?

There have not been any significant changes to our leadership. Our CEO will have completed her fourth year at the end of this summer and the entire leadership team has been in place for two full years.

4. Are there any regulatory or market changes that may impact the current business approach and would be relevant to share publicly with the Audit Committee?

There are no regulatory changes underway that will materially impact CADA's current business approach. The update to the Civic Arts Policy review may have an impact on our work, however our relationship with City Administration in the process of the review so far does not appear to lead us to believe that there will be any material changes to our work.

With regard to market changes, the recent economic downturn has had impact on both our grant investees, and has been addressed admirably by the City through the provision of the \$1M Arts Emergency Resiliency Fund in 2016 and its' subsequent renewal in 2017. We have a full report prepared for 2016 and it has been attached for your review.

When it comes specifically to our organization, the impact is in the arts development side of things – it's harder to leverage the funds we receive from the City and find external support for arts development in this climate.

The external partnerships we have leveraged are all at risk to a certain degree – the members of the Calgary Hotel Association are hurting financially, for example, which could affect the Remarkable Experience Accelerator Program. This is a multi-year partnership that ends in 2017, meaning renewal for another three years starting in 2018 is at risk.

Sponsorships for our Poet Laureate program and The Mayor's Lunch for Arts Champions are also multi-year. They are secure for now. On the other hand, table sponsorships for The Mayor's Lunch are acquired annually, so they are at risk.

Two of our Cultural Leaders Legacy Artist Award sponsorships were not renewed in 2016. We were able to replace one of them but not the other, bringing the awards down from seven to six in 2017.

Since funding for our major arts investment granting programs comes directly from The City, we are hoping those funds are secure for the sake of the arts sector. We heard from a number of arts organizations in 2015 that the downturn in the economy was hurting them and the problem has gotten worse in 2016. The Emergency Resiliency Fund (ERF) helped mitigate the effects of the downturn on a number of organizations but we were only able to fund \$1M of \$2.5M in requests. And organizations applying for assistance only asked for a portion of their \$5.6M losses through the ERF.

During 2016 we undertook specific research to compare the state of our civic arts funding with other cities in Canada. The findings showed us that Calgary is at the bottom of the charts when it comes to annual arts grant investments, which puts our sector at a disadvantage compared to their peers across Canada. Calgary invests less per capita annual arts grant investments, and arts companies in Calgary receive a lower percentage of their overall operating budgets from civic arts grants than in other major Canadian cities. Calgary has done a good job with capital funding but operational, individual and project support is weak. Contributed revenue has been much higher in Calgary, historically, which has filled the gap left by lower than average municipal funding, but that is changing with the economic downturn and speculation about what the new normal will be. Our sector is at risk without ongoing sustainable operating funds.

5. Are there any results of any regulatory or internal/external business assessments that provide assurance on the effective management of risks as addressed in your presentation?

We did not undertake any external/internal business assessments in 2016 to report on.

cSPACE Projects

In 2011, City Council authorized the Board of Directors of CADA to incorporate a non-profit subsidiary corporation under Part 9 of the Companies Act (Alberta) to strategically address the long-standing need for affordable incubator spaces that support artists and cultural non-profit organizations. cSPACE Projects has been formed “exclusively to promote, coordinate and facilitate real estate projects that establish affordable facilities, accommodations and education opportunities for artists and registered non-profit organization operating in the arts or community sector.”

The cSPACE Board of Directors is directly accountable to two shareholders, CADA and the Calgary Foundation who have an arms-length relationship with the entity. cSPACE's *Memorandum of Association* and *Articles of Incorporation* define the parameters of their accountability to their shareholders and are further refined in the *Shareholder's Agreement* between cSPACE, CADA and the Calgary Foundation. Both Shareholders are in contact with cSPACE for regular updates and we both look forward to the Grand Opening of their first project **cSPACE King Edward** on September 29, 2017.