

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Non-Consolidated Financial Statements**

**Year ended December 31, 2016**

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Index to the Non-Consolidated Financial Statements**

**Year ended December 31, 2016**

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	<b>Page</b>
<b>AUDITOR'S REPORT</b>	<b>2</b>
<b>NON-CONSOLIDATED FINANCIAL STATEMENTS:</b>	
Non-Consolidated Statement of Financial Position	3
Non-Consolidated Statement of Operations	4
Non-Consolidated Statement of Changes in Net Assets	5
Non-Consolidated Statement of Cash Flows	6
Notes to the Non-Consolidated Financial Statements	7 - 18



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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, 2016, 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, 2016, and its non-consolidated results of operations, its non-consolidated remeasurement gains and losses, and its non-consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

March 28, 2017

Calgary, Canada

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

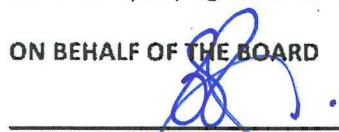

**Non- Consolidated Statement of Financial Position**

**As at December 31, 2016, with comparative information for 2015**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 222,447	\$ 127,395
Short term investments (Note 3)	625,000	376,841
Accounts receivable	4,322	52,744
Goods and services tax receivable	7,532	6,759
Prepaid expenses	55,905	37,562
Refundable deposits	12,326	12,826
	<b>\$ 927,532</b>	<b>\$ 614,127</b>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 197,784	\$ 32,948
Grant liabilities (Note 5)	247,129	229,783
Deferred contributions (Note 6)	213,750	106,500
	<b>658,663</b>	<b>369,231</b>
<b>Net Assets</b>		
Internally restricted (Note 7)	268,869	244,896
	<b>\$ 927,532</b>	<b>\$ 614,127</b>
Commitments (Note 12)		

See accompanying notes to non-consolidated financial statements.

ON BEHALF OF THE BOARD

Director

Director

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Non-Consolidated Statement of Operations**

**Year ended December 31, 2016, with comparative information for 2015**

	Budget	2016	2015
<b>Revenues</b>			
City of Calgary grant	\$5,950,000	\$ 6,932,500	\$ 5,650,000
Revenue from other sources (Note 8)	544,150	632,704	591,700
Miscellaneous income (Note 9)	105,500	107,442	107,890
Rental income	6,000	5,053	2,037
Interest income	15,000	3,789	15,378
	6,620,650	7,681,488	6,367,005
<b>Expenses (Note 10)</b>			
Grant expense – City of Calgary	4,105,000	5,132,500	3,889,800
Grant expense – City of Calgary – cSPACE	320,000	320,000	420,000
Total grant expense – City of Calgary	4,425,000	5,452,500	4,309,800
Grant expense – other sources (Note 11)	401,250	457,735	483,664
Consulting and project management	488,100	633,534	397,515
Salaries and employee benefits	726,846	608,252	705,151
Rent	154,500	152,266	144,016
Catering and hosting	109,220	104,431	94,347
Advertising and promotion	113,700	63,847	36,572
Volunteer development	31,200	51,394	25,453
Telecommunications	26,000	34,366	35,037
Professional fees	33,250	26,935	30,143
Foreign exchange loss (gain)	-	26,476	(14,288)
Office supplies	28,940	22,518	19,544
Travel and parking	22,900	17,277	18,571
Bank charges and miscellaneous	4,500	3,284	2,427
Artist and speaker fees	11,000	2,700	3,200
	6,576,406	7,657,515	6,291,152
Excess of revenues over expenses	\$44,244	\$ 23,973	\$ 75,853

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, 2016, with comparative information for 2015**

	Internally restricted (Note 7)	Unrestricted	2016	2015
<b>Net assets – beginning of year</b>	\$ 244,896	\$ -	\$ 244,896	\$ 169,043
Excess of revenues over expenses	-	23,973	23,973	75,853
Interfund transfer	23,973	(23,973)	-	-
<b>Net assets – end of year</b>	<b>\$268,869</b>	<b>\$ -</b>	<b>\$ 268,869</b>	<b>\$ 244,896</b>

See accompanying notes to non-consolidated financial statements.

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Non-Consolidated Statement of Cash Flows**

**Year ended December 31, 2016, with comparative information for 2015**

	2016	2015
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Excess of revenues over expenses	\$ 23,973	\$ 75,853
Changes in non-cash working capital:		
Accounts receivable	48,422	(45,144)
Goods and services tax receivable	(773)	4,891
Prepaid expenses	(18,343)	1,339
Refundable deposits	500	(500)
Accounts payable and accrued liabilities	164,836	(101,618)
Grant liabilities	17,346	(47,408)
Deferred contributions	107,250	92,068
<b>Cash flows from (used in) operating activities</b>	<b>343,211</b>	<b>(20,519)</b>
<b>Investing Activities</b>		
Redemption of short term investments	376,841	5,565,000
Purchase of short term investments	(625,000)	(5,491,369)
<b>Cash flows (used in) from investing activities</b>	<b>(248,159)</b>	<b>73,631</b>
<b>Increase in cash and cash equivalents</b>	<b>95,052</b>	<b>53,112</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>127,395</b>	<b>74,283</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 222,447</b>	<b>\$ 127,395</b>

See accompanying notes to non-consolidated financial statements



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

**Year ended December 31, 2016, with comparative information for 2015**

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**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**

These financial statements have been prepared on a non-consolidated basis. Financial details regarding cSPACE Projects, a controlled entity, are disclosed in note 13 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, 2016, with comparative information for 2015**

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**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) 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. The fair value of this contribution was not determinable and was not recognized in the non-consolidated financial statements. There were no contributed goods during the year.

**(g) 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.

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

**Year ended December 31, 2016, with comparative information for 2015**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(g) Financial Instruments (continued)**

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.

**(h) 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 consist of bank issued Guaranteed Investment Certificates (GICs) with an interest rate of 0.70% (2015 – 1.00%). CADA has classified these investments as current as they could be liquidated at any time.

**4. FINANCIAL INSTRUMENTS**

CADA's financial instruments consist of cash and cash equivalents, short term investments, accounts 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 or credit risk arising from these financial instruments.

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

**Year ended December 31, 2016, with comparative information for 2015**

**4. FINANCIAL INSTRUMENTS, continued**

**(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:

	2016	2015
Cash and cash equivalents	\$ 72	\$ 81
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 12.

**(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.

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

**Year ended December 31, 2016, with comparative information for 2015**

**5. GRANT LIABILITIES**

	2016	2015
Balance, beginning of the year	\$ 229,783	\$ 277,191
Add: liabilities approved during the year	5,961,281	4,753,882
Less: liabilities paid out during the year	(5,943,935)	(4,801,290)
Balance, end of the year	\$ 247,129	\$ 229,783

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

	2016	2015
Mayor's Lunch (Artist Legacy Awards)	\$ 108,250	\$ 144,250
Equinox Vigil	72,000	-
Remarkable Experience Accelerator Program	33,225	59,475
City of Calgary Event Stimulus Program	17,375	17,375
Operating Grant	11,977	3,505
Calgary 2012 Legacy Grants	4,302	5,178
	\$ 247,129	\$ 229,783

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

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

**Year ended December 31, 2016, with comparative information for 2015**

**6. DEFERRED CONTRIBUTIONS**

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

	2016	2015
New Pathways	\$ 150,000	\$ 90,000
Arts Spaces Research	32,500	-
Mayor's Lunch (Artist Legacy Awards)	31,250	15,000
Poet Laureate	-	1,500
	\$ 213,750	\$ 106,500

Continuity of deferred contributions is as follows:

	2016	2015
Balance, beginning of year	\$ 106,500	\$ 14,432
Less amount recognized as revenue in the year	(121,500)	(14,432)
Add amount received related to future years	228,750	106,500
Balance, end of year	\$ 213,750	\$ 106,500



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

**Year ended December 31, 2016, with comparative information for 2015**

**7. INTERNALLY RESTRICTED**

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

**(a) Contingency Operating Reserve - \$91,473 (2015-\$40,000)**

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

**(b) Community Investment Reserve - \$ 177,396 (2015-\$204,896)**

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, 2016, Management identified \$ 177,396 (2015 - \$204,896) to support strategic business plan initiatives.

**8. REVENUE FROM OTHER SOURCES**

	Budget	2016	2015
Remarkable Experience Accelerator Program	\$419,900	\$ 426,250	\$ 420,625
New Pathways	38,250	65,000	104,432
Space Finder	35,000	38,000	-
Mayor's Lunch (Artist Legacy Awards)	36,000	36,000	36,500
Equinox Vigil	-	33,000	-
Invest YYC	-	22,304	24,643
Poet Laureate	15,000	9,000	5,500
Alberta Foundation for the Arts	-	3,000	-
Other Sources	-	150	-
	\$ 544,150	\$ 632,704	\$ 591,700

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

**Year ended December 31, 2016, with comparative information for 2015**

**9. MISCELLANEOUS INCOME**

	Budget	2016	2015
Program income	\$ 105,500	\$107,442	\$107,810
Other income	-	-	80
	\$ 105,500	\$ 107,442	\$ 107,890

**10. EXPENSES BY DEPARTMENT**

	Budget	2016	2015
Community Investment	\$ 5,449,145	\$ 6,544,897	\$5,259,063
Engagement	420,611	523,535	418,954
Operations	474,870	347,127	317,940
Communication	231,780	241,956	295,195
	\$ 6,576,406	\$7,657,515	\$ 6,291,152



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

**Year ended December 31, 2016, with comparative information for 2015**

**11. GRANTS EXPENSE FROM OTHER SOURCES**

	Budget	2016	2015
Remarkable Experience Accelerator Program	\$366,250	\$ 366,250	\$ 408,000
Mayor's Lunch (Artist Legacy Awards)	35,000	35,000	35,000
Equinox Vigil	-	33,000	-
Invest YYC	-	23,485	40,664
	\$ 401,250	\$ 457,735	\$ 483,664

**12. COMMITMENTS**

In January 2014, CADA entered into a lease agreement for new leased premises with an expiry date of March 2024. The estimated minimum annual rental payment, including estimated operating costs, are as follows:

2017	142,363
2018	142,363
2019	147,664
2020	149,431
Thereafter	<u>485,652</u>
	<u>\$ 1,067,473</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:

2017	\$ 5,246
2018	5,246
2019	<u>3,934</u>
	<u>\$ 14,426</u>

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

**Year ended December 31, 2016, with comparative information for 2015**

**12. COMMITMENTS, continued**

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 - \$210,800). The remaining estimated consulting fees (in Canadian dollars) are as follows:

2017	<u>\$ 283,886</u>
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**13. CONTROLLED AND RELATED ENTITY – cSPACE Projects**

CADA is a shareholder of, and controls, the non-profit corporation, cSPACE Projects ("cSPACE"), by virtue of holding 99% of the voting shares. cSPACE was incorporated in Alberta on October 27, 2011 under the Alberta Corporations Act. The purpose of cSPACE is to promote, coordinate and facilitate real estate projects that establish affordable facilities, accommodations and education opportunities for artists and registered non-profit organizations operating in the arts and community sector. cSPACE has not been consolidated with CADA's non-consolidated financial statements.

Financial summaries of cSPACE as at December 31, 2016 and 2015 and for the years then ended are as follows:

	2016	2015
<b>Financial Position</b>		
Total Assets	\$29,315,627	\$18,119,273
Total Liabilities	16,758,033	9,830,999
Net Assets	\$12,557,594	\$8,288,274

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

**Year ended December 31, 2016, with comparative information for 2015**

**13. CONTROLLED AND RELATED ENTITY – cSPACE Projects, continued**

**Results of Operations**

Total Revenues	\$461,800	\$938,905
Total Expenses	692,480	543,892
Gain on disposal of lands	4,500,000	2,596,839
Excess of revenues over expenses	\$4,269,320	\$2,991,852

	2016	2015
<b>Cash Flows</b>		
Cash flows (used by) from operations	\$(46,177)	\$1,094,358
Cash flows from financing activities	3,673,880	16,181
Cash flows used in from investing	(2,726,088)	(494,227)
Net change in cash	\$901,615	\$ 616,312

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

**Year ended December 31, 2016, with comparative information for 2015**

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**13. CONTROLLED AND RELATED ENTITY – cSPACE Projects, continued**

During 2016, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$320,000 (2015 - \$420,000) of funding to cSPACE.

During 2016, CADA received \$ nil (2015 - \$1,714) from cSPACE in rental income.

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

**14. 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 November 24, 2015.

**15. COMPARATIVE FIGURES**

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