

**ARTS COUNCIL WOOD BUFFALO**  
**Financial Statements**  
**Year Ended December 31, 2017**  
*(Unaudited)*

**ARTS COUNCIL WOOD BUFFALO**

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**Year Ended December 31, 2017**

*(Unaudited)*

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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To the Members of Arts Council Wood Buffalo

I have reviewed the accompanying financial statements of Arts Council Wood Buffalo that comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Practitioner's Responsibility

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not present fairly, in all material respects, the financial position of Arts Council Wood Buffalo as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink, appearing to read 'S. Millard', is written in a cursive style.

Fort McMurray, Alberta  
May 23, 2018

S. MILLARD CHARTERED PROFESSIONAL ACCOUNTANT  
CHARTERED PROFESSIONAL ACCOUNTANT

**ARTS COUNCIL WOOD BUFFALO**

**Statement of Financial Position**

**December 31, 2017**

*(Unaudited)*

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 55,022	\$ 59,370
Restricted cash	69,221	75,307
Accounts receivable	18,765	-
Goods and services tax recoverable	7,887	5,296
Prepaid expenses	1,321	1,317
	<b>152,216</b>	141,290
LONG TERM RESTRICTED CASH	-	8,750
	<b>\$ 152,216</b>	<b>\$ 150,040</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 7,364	\$ 5,762
Deferred income <i>(Note 4)</i>	60,629	40,010
Grants repayable <i>(Note 4)</i>	7,845	37,421
	<b>75,838</b>	83,193
DEFERRED INCOME - RESTRICTED <i>(Note 4)</i>	-	8,750
	<b>75,838</b>	91,943
NET ASSETS	<b>76,378</b>	58,097
	<b>\$ 152,216</b>	<b>\$ 150,040</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Director*

\_\_\_\_\_ *Director*

**ARTS COUNCIL WOOD BUFFALO**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2017**  
*(Unaudited)*

	2017	2016
<b>INCOME</b>		
Grants	\$ 374,252	\$ 415,675
Partnership projects	19,065	9,610
Fees for services and event sales	12,458	8,561
Fundraising and donations	11,391	952
Red Cross relief	3,500	-
Membership fees	3,019	2,920
Special projects	1,215	-
Interest income	371	264
	<u>425,271</u>	<u>437,982</u>
<b>COST OF SALES</b>		
Redpoll Centre Art Commission	35,614	-
Artist fees	10,859	15,200
Scholarships and Awards	7,500	7,400
Business of the Arts Workshop	1,784	480
Arts Community Needs Assessment	-	36,313
Partnership Programs	-	4,203
	<u>55,757</u>	<u>63,596</u>
<b>GROSS PROFIT (86.89%; 2016 - 85.48%)</b>	<u><b>369,514</b></u>	<u><b>374,386</b></u>
<b>EXPENSES</b>		
Advertising and promotion	18,551	17,040
Business taxes, licenses and memberships	1,158	3,082
Employee benefits	5,259	6,811
Honorarium	-	2,912
Insurance	1,251	2,108
Interest and bank charges	1,209	935
Meetings and conventions	13,362	14,800
Memberships	590	534
Office	2,323	3,718
Professional fees	8,684	7,812
Rental	19,673	17,993
Salaries and wages	237,833	241,365
Sub-contracts	33,284	17,197
Telephone	2,768	2,756
Training	1,725	1,491
Travel	3,563	3,402
	<u>351,233</u>	<u>343,956</u>
<b>EXCESS OF INCOME OVER EXPENSES</b>	<u><b>\$ 18,281</b></u>	<u><b>\$ 30,430</b></u>

**ARTS COUNCIL WOOD BUFFALO**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2017**  
*(Unaudited)*

	<b>2017</b>	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 58,097</b>	\$ 27,667
EXCESS OF INCOME OVER EXPENSES	<b>18,281</b>	30,430
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 76,378</b>	\$ 58,097

**ARTS COUNCIL WOOD BUFFALO****Statement of Cash Flow****Year Ended December 31, 2017***(Unaudited)*

	<b>2017</b>	2016
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 397,756	\$ 385,160
Cash paid to suppliers and employees	(413,139)	(370,756)
Interest paid	(1,211)	(935)
Goods and services tax	(2,590)	(2,879)
	<hr/>	<hr/>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(19,184)</b>	10,590
Cash - beginning of year	<b>143,427</b>	132,837
	<hr/>	<hr/>
<b>CASH - END OF YEAR</b>	<b>\$ 124,243</b>	\$ 143,427
	<hr/>	<hr/>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 55,022	\$ 59,370
Restricted cash	69,221	75,307
Long term Restricted Cash	-	8,750
	<hr/>	<hr/>
	<b>\$ 124,243</b>	\$ 143,427
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# ARTS COUNCIL WOOD BUFFALO

## Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited)

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### 1. PURPOSE OF THE ORGANIZATION

Arts Council Wood Buffalo (the "organization") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization operates to provide champions investment in the arts in the Regional Municipality of Wood Buffalo. The organization was established to raise the profile of the arts in the region and to provide support to all facets of the arts community.

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### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the report date.

Externally restricted cash and cash equivalents are restricted for specified purposes and are not available for general operations.

Internally restricted cash represents money set aside for specific activities identified by management and approved by the Board of Directors. The funds are not available for general operations.

#### Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The main estimates including accrued liabilities and disclosure of contingencies.

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# ARTS COUNCIL WOOD BUFFALO

## Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Net assets

- a) Net assets invested in property and equipment represents the organization's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, not of transfers, and are available for general purposes.

#### Revenue recognition

Arts Council Wood Buffalo follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Membership fees, registration fees, and other income are recognized as fees for services. When the users receive the services, the fees are recognized as revenue.

The Organization recognizes contributions of gifts in kind only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

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# ARTS COUNCIL WOOD BUFFALO

## Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited)

### 4. DEFERRED REVENUE - RESTRICTED

	<u>2017</u>	<u>2016</u>
<u>Deferred Revenue</u>		
Alberta Foundation for the Arts	\$ 47,333	\$ 18,074
Arts Award night	-	11,062
Regional Municipality of Wood Buffalo	7,845	37,421
Kim Jenkins Grant	8,750	8,750
Prepaid Membership Fees	1,916	2,124
Wood Buffalo Food Bank Grant	2,630	-
Subtotal	<u>68,474</u>	<u>77,431</u>
Kim Jenkins-Long term portion	-	8,750
Total Deferred Revenue	<u>\$ 68,474</u>	<u>\$ 86,181</u>

The Organization has received a grant, referred to as the Kim Jenkins Scholarship, to be used for the specific purpose of issuing post-secondary fine arts scholarships and awarding cash prizes to students participating in art exhibitions. The funds are designated for use by even distribution over five years starting in 2014 by providing \$3,000 of exhibition prizes, a \$1,500 scholarship, and \$4,250 of administrative costs annually.

The Organization, as a part of its ongoing operations, received a grant from the Regional Municipality of Wood Buffalo totaling \$325,000 (2016 - \$325,000). The grant agreement states that any uncommitted grant proceeds shall be returned upon the expiration or earlier termination of this agreement. As at December 31, 2017, unspent funding totaling \$3,972 (2016 - \$3,872 and 2015 - \$33,549) was related to the grant. The Organization paid back the 2015 repayable amount during the current fiscal year. The Organization has not paid back the unspent funding from 2016 as of the December 31, 2017 year end.

The Organization received an operating grant from Alberta Foundation for the Arts of \$47,333 (2016 - \$18,074) which has been deferred till the next fiscal year.

In 2016 the Organization received funds (\$11,062) relating to the 2017 Arts Award night which was deferred and subsequently used in the current fiscal year.

The Organization charges membership fees annually. The organization received fees for next fiscal year totaling \$1,916 (2016 - \$2,124).

The Organization received a grant from the Wood Buffalo Food Bank, the event was not completed until the next fiscal year, the unused amount of \$2,630 has been deferred.

# ARTS COUNCIL WOOD BUFFALO

## Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited)

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### 5. PRIOR PERIOD ADJUSTMENT

The Organization was eligible to claim a GST rebate for 2015 (\$2,842.34) and 2016 (\$2,454.10). As a result the prior year assets were understated by \$5,296 and expenses overstated by \$5,296. The records have been adjusted to account for the amounts to be claimed by the GST rebate. The corrections to the prior period financial statements are as follows:

<b>ADJUSTMENT TO EARNINGS FOR THE YEAR</b>	<b>2016</b>	<b>2015</b>
Increase to Goods and Services tax recoverable asset	2,454	2,842
Reduction to expenses for original overstatement	(2,454)	(2,842)
Retained Earnings as previously recorded	52,801	24,843
Retained Earnings, end of year, as adjusted	58,097	27,685

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### 6. CONTRACTUAL OBLIGATIONS

The Organization signed an agreement for the rental of premises in the ordinary course of operations. The Organization has agreed to make payments of \$895 plus GST monthly beginning June 1, 2015 plus an additional \$50 for additional occupancy of one office. The amount of rent increases annually on May 1 beginning May 1, 2016 by 4% on the base rent of \$895 and the lease is in place for three years ending May 31, 2018.

Contractual obligation repayment schedule:

2018	<u>\$ 5,385</u>
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### 7. ECONOMIC DEPENDENCE

The organization is economically dependant on the grant received from the Regional Municipality of Wood Buffalo for its continued existence and ability to carry out its normal activities. The grant received from the Regional Municipality of Wood Buffalo accounts for 76% (2016 - 75%) of the income generated by the Organization.

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### 8. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2017.

#### **(a) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of accounts payable.

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**ARTS COUNCIL WOOD BUFFALO**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

*(Unaudited)*

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8. FINANCIAL INSTRUMENTS *(continued)*

***(b) Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to interest risk.

***(c) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

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