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Chartered Professional Accountants & Business Advisors

An Independent Firm Associated with Moore Global

Independent Auditor's Report

To the Members of Arts & Heritage Foundation of St. Albert

Qualified Opinion

We have audited the financial statements of Arts & Heritage Foundation of St. Albert (the Foundation), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Independent Auditor's Report To the Members of Arts & Heritage Foundation of St. Albert (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not
 detecting a material misstatement resulting from fraud is higher than for one resulting from error, as
 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
 internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta February 16, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

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Arts & Heritage Foundation of St. Albert Statement of Financial Position December 31, 2022

	2022	2021
Assets		
Current		
Cash (Note 3)	\$ 102,521	\$ 184,590
Term deposit (Note 4)	87,094	86,506
Accounts receivable (Note 5)	61,376	72,695
Goods and services tax recoverable	9,473	12,120
Inventory	4,910	4,136
Prepaid expenses and deposits	 48,069	65,033
	313,443	425,080
Restricted cash (Note 6)	209,677	209,677
Furniture and equipment (Note 7)	55,254	35,920
Collections (Note 8)	 13	13
	\$ 578,387	\$ 670,690
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 117,953	\$ 138,487
Deferred revenue (Note 10)	 138,049	 269,903
	256,002	408,390
Deferred contributions related to furniture and equipment (Note 11)	14,565	18,207
and equipment (Note 11)	 14,303	10,201
	 270,567	426,597
Net assets		
General Fund	57,453	16,701
Restricted Funds (Note 6)	209,677	209,677
Invested in Capital Assets Fund	 40,690	17,715
	 307,820	244,093
	\$ 578,387	\$ 670,690

ON BEHALF OF THE BOARD	
2 mcmy	Trustee
Suzanne Richford	Trustee

Arts & Heritage Foundation of St. Albert Statement of Revenues and Expenditures Year Ended December 31, 2022

		2022	2021
Revenues			
City of St. Albert operating grant Other grants Program and site administration Gift shop, art rental & sales, and exhibition sales Donations, fundraising and sponsorship Father Lacombe Chapel	\$	1,643,750 236,336 230,489 130,805 75,702 56,000	\$ 1,185,121 167,209 65,032 79,713 60,965
Miscellaneous		7,029	3,361
		2,380,111	1,561,401
Expenditures			
Wages, benefits and contracted services Repairs and maintenance Office Program supplies and expenses Rent		1,562,676 145,468 142,007 122,832 82,163	1,501,149 114,265 108,715 68,031 81,457
Goods purchased for resale Advertising and promotion Utilities and telephone Father Lacombe Chapel Exhibition supplies and expenses		75,904 71,505 61,543 55,229 54,060	48,229 60,767 56,171 - 38,236
Professional fees Insurance Projects Professional development Amortization	_	16,946 16,790 4,220 3,488 11,694	15,530 15,097 3,315 8,617 8,067
		2,426,525	2,127,646
Deficiency of revenues over expenditures from operations		(46,414)	(566,245)
Other income (expenses) COVID-19 subsidies (Note 12) Proceeds on share redemption Gain on disposal of furniture and equipment St. Albert Historical Society Legacy Fund	_	100,000 5,219 4,922 -	556,663 - - - 36,853
		110,141	593,516
Excess of revenues over expenditures for the year	\$	63,727	\$ 27,271

Arts & Heritage Foundation of St. Albert Statement of Changes in Net Assets Year Ended December 31, 2022

	General Fund	Restricted Funds	 nvested in pital Assets Fund	2022	2021
Net assets - beginning of year	\$ 16,701	\$ 209,677	\$ 17,715 \$	244,093	\$ 216,822
Excess of revenues over expenditures for the year	63,727	-	-	63,727	27,271
Amortization, net of write-offs and deferred contributions	8,053	-	(8,053)	-	-
Capital assets purchased net of disposals and deferred contributions	(31,028)	-	31,028	-	
Net assets - end of year	\$ 57,453	\$ 209,677	\$ 40,690 \$	307,820	\$ 244,093

Arts & Heritage Foundation of St. Albert Statement of Cash Flows Year Ended December 31, 2022

	2022	2021
Operating activities Excess of revenues over expenditures for the year	\$ 63,727	\$ 27,271
Items not affecting cash: Amortization, net of deferred contributions Gain on disposal of furniture and equipment	 8,053 (4,922)	6,671 -
	 66,858	33,942
Changes in non-cash working capital: Accounts receivable Goods and services tax recoverable Inventory Prepaid expenses and deposits Accounts payable and accrued liabilities Deferred revenue	 11,318 2,647 (774) 16,965 (20,535) (131,854)	(4,142) (2,673) 58 (13,541) (26,559) 50,325
	 (122,233)	3,468
	 (55,375)	37,410
Investing activities Purchase of furniture and equipment Proceeds on disposal of furniture and equipment Purchase of term deposit	 (34,891) 8,785 (588)	(12,625) - (224)
	 (26,694)	(12,849)
Financing activity Deferred contributions received for furniture and equipment	 -	12,625
	 -	12,625
Increase (decrease) in cash flow	(82,069)	37,186
Cash - beginning of year	 394,267	357,081
Cash - end of year	\$ 312,198	\$ 394,267
Cash consists of: Cash Restricted cash	\$ 102,521 209,677	\$ 184,590 209,677
	\$ 312,198	\$ 394,267

1. Purpose of the Foundation

Arts & Heritage Foundation of St. Albert (the Foundation) is a not-for-profit organization incorporated on November 19, 1998 under the Societies Act of Alberta. The Foundation was formed to promote the development and awareness of the visual arts and heritage within the St. Albert community. The Foundation receives 66% (2021 - 55%) of its revenue in the form of an operating grant from the City of St. Albert. The Foundation is a registered charity and qualifies as a not-for-profit organization within the context of the Income Tax Act, Canada; the Foundation is therefore exempt from paying income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. The significant areas requiring management estimate include the allowance for doubtful accounts, the allowance for inventory obsolescence and the estimated useful lives of furniture and equipment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Inventory

The Foundation's inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Furniture and equipment

Furniture and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method
Computer equipment	55%	declining balance method
Leasehold improvements	20%	declining balance method

Contributions received for acquiring furniture and equipment are recorded as deferred contributions and are recognized on the same basis and rates as the related furniture and equipment. The contributions are recorded as revenue under miscellaneous.

2. Summary of significant accounting policies (continued)

Collections

Collections held by the Foundation are recorded at nominal value and are not amortized. While the fair value of the collections are anticipated to be greater than the nominal value that they are recorded at, the collections are not resources that are directly available to meet the financial obligations of the Foundation by conversion into currency or as security to raise monetary loans. Proceeds from the sale of any collections can only be used for the care and development of the collection.

Fund accounting

The Foundation uses fund accounting to segregate its activities. Interfund transfers are not recognized as revenues and expenditures but rather as changes in fund balances.

The following funds are used:

General fund - this fund reports the excess of revenues over expenditures for the year.

Invested in capital assets fund - this fund reports the net assets invested in furniture and equipment.

Asset replacement fund - this fund reports the internally restricted balance of funds available for future equipment expenditures.

Information technology fund - this fund reports the internally restricted balance of funds available for future information technology expenditures and information technology related projects, at the recommendation of the Executive Director to the Board of Trustees.

Capital restoration fund - this fund reports the internally restricted balance of funds available for future capital restoration projects.

Management fund - this fund reports the internally restricted balance of funds available for future non-routine transactions, at the recommendation of the Executive Director to the Board of Trustees.

Board contingency fund - this fund reports the internally restricted balance of funds available to protect the Board of Trustees against any potential or unforeseen liabilities for which they might be held liable, at the recommendation of the Executive Director to the Board of Trustees.

St. Albert Historical Society Legacy fund - this fund reports the internally restricted balance of funds available for future non-routine transactions, at the recommendation of the Executive Director to the Board of Trustees.

Revenue recognition

The Foundation 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.

2. Summary of significant accounting policies (continued)

Contributed goods and services

Volunteers contribute large numbers of hours every year to assist the Foundation in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed goods are recorded at their fair market value at the time of the donation, as long as the goods would otherwise have been purchased by the Foundation in the normal course of operations. During the year, \$51,202 (2021 - \$42,765) of contributed goods were received and recorded in the statement of revenues and expenditures.

Impairment of long lived assets

The Foundation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Government assistance

Government assistance for current expenses is recorded as other revenue in the period to which it relates.

Financial instruments

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.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of revenues and expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

3. Cash

The Foundation has a line of credit available to a maximum of \$37,000 (2021 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2021 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2022, the Foundation had undrawn capacity of \$37,000 (2021 - \$37,000) on the line of credit.

2022

2024

3. Cash (continued)

Casino funds are restricted to the uses allowed by the Alberta Gaming and Liquor Commission and are required to be held in a separate bank account. The amount of restricted cash at year end is \$18,598 (2021 - \$nil).

4. Term deposit

Term deposit consists of a redeemable guaranteed investment certificate with internally restricted use by the General Fund, Capital Restoration Fund, Asset Replacement Fund, Information Technology Fund, and/or Board Contingency Fund. The guaranteed investment certificate matures in October 2023 and earns interest at a rate of 2.25% per annum.

5. Accounts receivable

	 2022	<u> 202 I</u>
City of St. Albert receivable Other receivables	\$ 35,507 25,869	\$ 55,860 16,835
	\$ 61,376	\$ 72,695

Restricted balances and interfund transfers

During the year, there were \$31,028 (2021 - \$nil) funds transferred to the Invested in Capital Assets Fund from the General Fund for the purchase of fixed assets that were not funded by external donors.

During the year, there were no transfers between funds.

	 2022	2021
Restricted cash	\$ 209,677	\$ 209,677
Capital Restoration Fund St. Albert Historical Society Legacy Fund Information Technology Fund Asset Replacement Fund Board Contingency Fund Management Fund	\$ 96,000 36,853 22,750 19,074 17,500 17,500	\$ 96,000 36,853 22,750 19,074 17,500 17,500
Total Restricted Funds	\$ 209,677	\$ 209,677

7. Furniture and equipment

	 Cost	 cumulated nortization	Ne	2022 et book value	١	2021 Net book value
Equipment Furniture and fixtures Computer equipment Leasehold improvements	\$ 29,254 80,308 20,170 59,570	\$ 2,925 60,281 15,045 55,797	\$	26,329 20,027 5,125 3,773	\$	3,863 25,034 2,307 4,716
	\$ 189,302	\$ 134,048	\$	55,254	\$	35,920

8. Collections

The Foundation's thirteen collections include rare and unique artifacts, textual records, photographs, audio-visual records, digital records, maps and books that support the mission statement of the Foundation and are preserved. The collections are accessioned and held with a view to permanency and not for the purpose of eventual disposal.

There were no new collections acquired during the year. All collections were previously held. There are no disposals, write-downs or expenditures on collection items in the year.

9. Accounts payable and accrued liabilities

Trade accounts payable and accrued liabilities
Government source deductions payable
City of St. Albert payable

 2022	2021			
\$ 96,938 20,416 239	\$	117,999 20,262 226		
\$ 117,593	\$	138,487		

2022

2024

10. Deferred revenue

The Foundation receives the majority of its funding by way of grants and restricted donations. This funding is deferred and recognized in conjunction with the related expense. The balance at year end consists of the following:

	(Opening		Funds received	Re	ecognized in revenue		Closing
Alberta Foundation for the Arts	•		•	00.700	•		•	00.700
	\$	-	\$	98,702	\$	-	\$	98,702
Casino funds		-		21,004		2,046		18,958
Alberta Museums Association		25,000		8,974		25,000		8,974
Beryl Madden Fund		4,141		1,415		53		5,503
City of St. Albert - Other		5,576		15,119		16,132		4,563
Other		24,295		28,650		51,596		1,349
Museum Assistance Program -		•		,		·		,
Reopening Funds for Heritage								
Organizations		100,000		_		100,000		_
Alberta Foundation for the Arts		.00,000				.00,000		
Gallery Grant (2021/2022)		98,702		-		98,702		-
Edmonton Community Foundation		7,126		-		7,126		-
Projects		3,145		-		3,145		-
TD Canada Grant		1,918		-		1,918		
	<u>\$</u>	269,903	\$	173,864	\$	305,718	\$_	138,049

No grants or deferred revenue have been recorded to or adjusted to the restricted funds in the current or prior years.

11. Deferred contributions related to furniture and equipment

Deferred contributions related to furniture and equipment represent amounts that are received for the purpose of purchasing furniture and equipment. These contributions are amortized to revenue over the life of the asset purchased. The change in the deferred contributions balance for the year is as follows:

	 2022	2021
Beginning balance	\$ 18,207	\$ 6,978
From: operating grants	-	12,625
Less: amount amortized to revenue	 (3,642)	(1,396)
	\$ 14,565	\$ 18,207

12. COVID-19 subsidies

The outbreak of the coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities are continuing to implement measures to mitigate the spread of the virus. The outbreak and related mitigation measures may have adverse impact on global economic conditions as well as on the Foundation's activities. The extent to which the cornavirus may impact the Foundation's activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Foundation cannot determine their financial impact at this time.

Federal government assistance was provided under the Canada Emergency Wage Subsidy (CEWS) program, the Canada Emergency Rent Subsidy (CERS) program, and the Museums Assistance Program (MAP). CEWS and CERS ceased in the fall of 2021. MAP provides a one-time, non-repayable subsidy of \$100,000 to help non-profit heritage organizations carry out their operations that have been greatly affected by the COVID-19 pandemic.

Provincial government assistance from the Government of Alberta was provided under the Restrictions Exemption Program (REP) grant. REP provides a non-repayable grant for eligible small- and medium-sized organizations that chose to implement the Restrictions Exemption Program.

There were no amounts related to CEWS, CERS, MAP or REP in accounts receivable at December 31, 2022 (2021 - \$nil).

		2022		2021	
Museums Assistance Program, COVID-19 Emergency Support Fund	\$	100.000	\$	100,000	
Canada Emergency Wage Subsidy	Ψ	-	Ψ	420,695	
Canada Emergency Rent Subsidy		-		31,968	
Restrictions Exemption Program Grant		-		4,000	
	\$	100,000	\$	556,663	

No COVID-19 subsidies have been recorded to or adjusted to the restricted funds in the current or prior years.

13. Contractual obligations

The Foundation's total commitment, under various operating leases and property lease agreements, exclusive of occupancy costs, is as follows:

2023	\$	63,850
2024		44,332
2025		40,838
2026		37,126
2027		37,126
Thereafter		116,751
	Φ.	340 023
	70	34U.UZ3

14. Financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Foundation's financial instruments consist of recorded amounts of cash, term deposit, accounts receivable and accounts payable and accrued liabilities.

The Foundation 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 Foundation's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from funders. The Foundation is exposed to a concentration of credit risk as one funder comprises 58% (2021 - one funder comprised 75%) of accounts receivable at year end.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from the City of St. Albert, members, funders and other related sources.

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 Foundation is only exposed to interest rate risk.

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. The Foundation is exposed to interest rate risk on its interest-bearing term deposit.

15. Additional information to comply with the disclosure requirements of the Alberta Charitable Fundraising Act and Regulations

	 2022	 2021
Revenues Father's Day Food Truck Event	\$ 4,080	\$ -
Expenditures Father's Day Food Truck Event Other	 (1,624) (460)	- -
	\$ 1,996	\$ -