

Arts & Heritage Foundation of St. Albert
Financial Statements
Year Ended December 31, 2023

Arts & Heritage Foundation of St. Albert
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Year Ended December 31, 2023

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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, 2023, 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, 2023, 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, 2023, current assets and net assets as at December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2022 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.

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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.

Mowbray Gil LLP

Edmonton, Alberta
February 7, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS

Arts & Heritage Foundation of St. Albert
Statement of Financial Position
December 31, 2023

	2023	2022
Assets		
Current		
Cash (Note 3)	\$ 220,049	\$ 102,521
Term deposit (Note 4)	-	87,094
Accounts receivable (Note 5)	99,111	61,376
Goods and services tax recoverable	14,134	9,473
Inventory	3,307	4,910
Prepaid expenses and deposits	70,216	48,069
	406,817	313,443
Restricted cash (Note 6)	209,677	209,677
Furniture and equipment (Note 7)	53,109	55,254
Collections (Note 8)	14	13
	\$ 669,617	\$ 578,387
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 108,921	\$ 117,953
Deferred revenue (Note 10)	198,130	138,049
	307,051	256,002
Deferred contributions related to furniture and equipment (Note 11)	11,652	14,565
	318,703	270,567
Net assets		
General Fund	99,780	57,453
Restricted Funds (Note 6)	209,677	209,677
Invested in Capital Assets Fund	41,457	40,690
	350,914	307,820
	\$ 669,617	\$ 578,387

ON BEHALF OF THE BOARD

Max Frank Trustee

Suzanne Richford Trustee

Arts & Heritage Foundation of St. Albert
Statement of Revenues and Expenditures
Year Ended December 31, 2023

	2023	2022
Revenues		
City of St. Albert operating grant	\$ 1,754,104	\$ 1,643,750
Program and site administration	308,440	226,689
Other grants	228,366	236,336
Gift shop, art rental & sales, and exhibition sales	110,899	130,220
Donations, fundraising and sponsorship	89,636	75,702
Father Lacombe Chapel	60,254	60,211
Miscellaneous	11,755	7,029
	<u>2,563,454</u>	<u>2,379,937</u>
Expenditures		
Wages, benefits and contracted services	1,589,890	1,562,676
Repairs and maintenance	197,597	145,468
Program supplies and expenses	138,447	122,658
Office	118,534	142,007
Rent	85,113	82,163
Goods purchased for resale	73,047	75,904
Advertising and promotion	62,931	71,505
Exhibition supplies and expenses	61,696	54,060
Utilities and telephone	60,483	61,543
Father Lacombe Chapel	58,408	55,229
Insurance	19,765	16,790
Professional development	17,564	3,488
Professional fees	17,262	16,946
Projects	3,264	4,220
Amortization	16,359	11,694
	<u>2,520,360</u>	<u>2,426,351</u>
Excess (deficiency) of revenues over expenditures from operations	<u>43,094</u>	<u>(46,414)</u>
Other income		
COVID-19 subsidies	-	100,000
Proceeds on share redemption	-	5,219
Gain on disposal of furniture and equipment	-	4,922
	<u>-</u>	<u>110,141</u>
Excess of revenues over expenditures for the year	<u>\$ 43,094</u>	<u>\$ 63,727</u>

Arts & Heritage Foundation of St. Albert
Statement of Changes in Net Assets
Year Ended December 31, 2023

	General Fund	Restricted Funds	Invested in Capital Assets Fund	2023	2022
Net assets - beginning of year	\$ 57,453	\$ 209,677	\$ 40,690	\$ 307,820	\$ 244,093
Excess of revenues over expenditures for the year	43,094	-	-	43,094	63,727
Amortization, net of write-offs and deferred contributions	13,446	-	(13,446)	-	-
Capital assets purchased net of disposals and deferred contributions	(14,213)	-	14,213	-	-
Net assets - end of year	\$ 99,780	\$ 209,677	\$ 41,457	\$ 350,914	\$ 307,820

Arts & Heritage Foundation of St. Albert
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
Operating activities		
Excess of revenues over expenditures for the year	\$ 43,094	\$ 63,727
Items not affecting cash:		
Amortization, net of deferred contributions	13,446	8,053
Gain on disposal of furniture and equipment	-	(4,922)
	<u>56,540</u>	<u>66,858</u>
Changes in non-cash working capital:		
Accounts receivable	(37,735)	11,318
Goods and services tax recoverable	(4,661)	2,647
Inventory	1,603	(774)
Prepaid expenses and deposits	(22,147)	16,965
Accounts payable and accrued liabilities	(9,034)	(20,535)
Deferred revenue	60,081	(131,854)
	<u>(11,893)</u>	<u>(122,233)</u>
	<u>44,647</u>	<u>(55,375)</u>
Investing activities		
Purchase of furniture and equipment	(14,213)	(34,891)
Proceeds on disposal of furniture and equipment	-	8,785
Purchase of term deposit	-	(588)
Proceeds on maturity of term deposit	87,094	-
	<u>72,881</u>	<u>(26,694)</u>
Increase (decrease) in cash flow	117,528	(82,069)
Cash - beginning of year	312,198	394,267
Cash - end of year	\$ 429,726	\$ 312,198
Cash consists of:		
Cash	\$ 220,049	\$ 102,521
Restricted cash	209,677	209,677
	<u>\$ 429,726</u>	<u>\$ 312,198</u>

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

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 68% (2022 - 66%) 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.

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Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

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.

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Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

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, \$40,831 (2022 - \$51,202) 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.

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 (2022 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2022 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2023, the Foundation had undrawn capacity of \$37,000 (2022 - \$37,000) on the line of credit.

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 \$18,958 (2022 - \$18,958).

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

4. Term deposit

Term deposit consisted 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 matured in October 2023 and earned interest at a rate of 2.25% per annum. The guaranteed investment certificate was not re-invested by the Foundation in the 2023 fiscal year.

5. Accounts receivable

	<u>2023</u>	<u>2022</u>
Other receivables	\$ 63,151	\$ 25,869
City of St. Albert receivable	<u>35,960</u>	<u>35,507</u>
	<u>\$ 99,111</u>	<u>\$ 61,376</u>

6. Restricted balances and interfund transfers

During the year, there were \$14,213 (2022 - \$31,028) 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 restricted funds.

	<u>2023</u>	<u>2022</u>
Restricted cash	<u>\$ 209,677</u>	<u>\$ 209,677</u>
Capital Restoration Fund	\$ 96,000	\$ 96,000
St. Albert Historical Society Legacy Fund	36,853	36,853
Information Technology Fund	22,750	22,750
Asset Replacement Fund	19,074	19,074
Board Contingency Fund	17,500	17,500
Management Fund	<u>17,500</u>	<u>17,500</u>
Total Restricted Funds	<u>\$ 209,677</u>	<u>\$ 209,677</u>

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

7. Furniture and equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Equipment	\$ 31,506	\$ 8,416	\$ 23,090	\$ 26,329
Furniture and fixtures	80,308	64,286	16,022	20,027
Computer equipment	32,133	21,154	10,979	5,125
Leasehold improvements	59,570	56,552	3,018	3,773
	\$ 203,517	\$ 150,408	\$ 53,109	\$ 55,254

8. Collections

The Foundation's fourteen collections include rare and unique artifacts, textual records, photographs, audio-visual records, digital records, artwork, 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 was one new collection acquired during the year. All other collections were previously held. There are no disposals, write-downs or other expenditures on collection items in the year.

9. Accounts payable and accrued liabilities

	2023	2022
Trade accounts payable and accrued liabilities	\$ 95,260	\$ 97,298
Government source deductions payable	13,302	20,416
City of St. Albert payable	359	239
	\$ 108,921	\$ 117,953

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

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	Recognized in revenue	Closing
Alberta Foundation for the Arts Gallery Grant (2023/2024)	\$ -	\$ 98,702	\$ -	\$ 98,702
Other	1,349	102,653	78,411	25,591
Alberta Museums Association	8,974	25,000	8,974	25,000
Casino funds	18,958	-	-	18,958
Community Foundations of Canada	-	17,885	-	17,885
City of St. Albert - Other	4,563	-	1,014	3,549
Beryl Madden Fund	5,503	1,176	3,131	3,548
Donations Reserve	-	3,000	-	3,000
Museum Assistance Program	-	17,830	15,933	1,897
Alberta Foundation for the Arts Gallery Grant (2022/2023)	98,702	-	98,702	-
Young Canada Works	-	20,902	20,902	-
Canada Council for the Arts	-	11,800	11,800	-
REACH Program	-	9,858	9,858	-
Canada Summer Jobs	-	4,777	4,777	-
	<u>\$ 138,049</u>	<u>\$ 313,583</u>	<u>\$ 253,502</u>	<u>\$ 198,130</u>

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:

	2023	2022
Beginning balance	\$ 14,565	\$ 18,207
Less: amount amortized to revenue	(2,913)	(3,642)
	<u>\$ 11,652</u>	<u>\$ 14,565</u>

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

12. Contractual obligations

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

2024	\$	91,250
2025		53,445
2026		41,574
2027		41,574
2028		41,831
Thereafter		107,470
		\$ 377,144

13. 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, 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, 2023.

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 36% (2022 - one funder comprised 58%) 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 was not exposed to any of these risks.

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the presentation adopted in the current year. The reclassification of certain balances has no impact on net assets.

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2023

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

	2023	2022
Revenues		
25th Anniversary Event	\$ 1,088	\$ -
Father's Day Food Truck Event	-	4,080
Expenditures		
25th Annivsersary Event	(2,596)	-
Other	(475)	(460)
Father's Day Food Truck Event	-	(1,624)
	\$ (1,983)	\$ 1,996