

Arts & Heritage Foundation of St. Albert
Financial Statements
Year Ended December 31, 2020



Arts & Heritage Foundation of St. Albert
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Year Ended December 31, 2020

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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, 2020, 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, 2020, 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, 2020, current assets and net assets as at December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2019 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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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 18, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

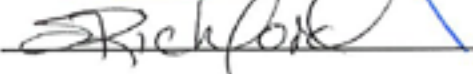
Arts & Heritage Foundation of St. Albert
Statement of Financial Position
December 31, 2020

	2020	2019
Assets		
Current		
Cash (Note 3)	\$ 184,257	\$ 130,713
Term deposit (Note 4)	86,281	85,213
Accounts receivable (Note 5)	68,552	25,829
Inventory	4,194	4,946
Goods and services tax recoverable	9,447	6,311
Prepaid expenses and deposits	51,492	39,369
	404,223	292,381
Restricted cash (Note 6)	172,824	172,824
Furniture and equipment (Note 7)	31,364	39,517
Collections (Note 8)	13	13
	\$ 608,424	\$ 504,735
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 165,046	\$ 104,779
Deferred revenue (Note 10)	219,578	140,111
	384,624	244,890
Deferred contributions related to furniture and equipment (Note 11)	6,978	9,209
	391,602	254,099
Net assets		
General Fund	19,612	47,504
Restricted Funds (Note 6)	172,824	172,824
Invested in Capital Assets Fund	24,386	30,308
	216,822	250,636
	\$ 608,424	\$ 504,735

ON BEHALF OF THE BOARD



Trustee



Trustee

Arts & Heritage Foundation of St. Albert
Statement of Revenues and Expenditures
Year Ended December 31, 2020

	2020	2019
Revenues		
City of St. Albert operating grant	\$ 1,118,925	\$ 1,758,805
Other grants	320,717	247,843
Program and site administration	84,207	311,198
Donations, fundraising and sponsorship	78,860	102,883
Gift shop, art rental & sales, and exhibition sales	63,002	97,611
Miscellaneous	8,620	17,417
Father Lacombe Chapel	-	76,000
	<u>1,674,331</u>	<u>2,611,757</u>
Expenditures		
Wages, benefits and contracted services	1,565,393	1,683,514
Repairs and maintenance	159,000	86,919
Office	96,642	145,840
Program supplies and expenses	82,449	122,304
Utilities and telephone	58,021	54,457
Rent	53,315	77,702
Advertising and promotion	53,185	56,416
Goods purchased for resale	41,023	51,542
Exhibition supplies and expenses	33,908	65,819
Professional fees	19,753	17,156
Projects	16,006	102,921
Insurance	12,820	11,655
Professional development	6,824	9,413
Father Lacombe Chapel	-	70,123
Amortization	10,283	11,432
	<u>2,208,622</u>	<u>2,567,213</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(534,291)</u>	<u>44,544</u>
Other income (expenses)		
COVID-19 subsidies (Note 12)	502,508	-
Expenditures incurred with restricted funds	-	(12,176)
Loss on disposal of furniture and equipment	(2,031)	(1,008)
	<u>500,477</u>	<u>(13,184)</u>
Excess (deficiency) of revenues over expenditures for the year	<u>\$ (33,814)</u>	<u>\$ 31,360</u>

Arts & Heritage Foundation of St. Albert
Statement of Changes in Net Assets
Year Ended December 31, 2020

	General Fund	Restricted Funds	Invested in Capital Assets Fund	2020	2019
Net assets - beginning of year	\$ 47,504	\$ 172,824	\$ 30,308	\$ 250,636	\$ 219,276
Excess (deficiency) of revenues over expenditures for the year	(33,814)	-	-	(33,814)	31,360
Amortization, net of write-offs and deferred contributions	10,082	-	(10,082)	-	-
Capital assets purchased net of deferred contributions	(4,160)	-	4,160	-	-
Net assets - end of year	\$ 19,612	\$ 172,824	\$ 24,386	\$ 216,822	\$ 250,636

Arts & Heritage Foundation of St. Albert
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ (33,814)	\$ 31,360
Items not affecting cash:		
Amortization, net of deferred contributions	8,052	10,274
Loss on disposal of furniture and equipment	2,031	1,008
	<u>(23,731)</u>	<u>42,642</u>
Changes in non-cash working capital:		
Accounts receivable	(42,721)	56,250
Inventory	752	(1,211)
Goods and services tax recoverable	(3,136)	1,282
Prepaid expenses and deposits	(12,123)	70,695
Accounts payable and accrued liabilities	60,264	(73,525)
Deferred revenue	79,467	24,038
	<u>82,503</u>	<u>77,529</u>
	<u>58,772</u>	<u>120,171</u>
Investing activities		
Purchase of furniture and equipment	(4,160)	(20,199)
Purchase of term deposits	(1,068)	(588)
	<u>(5,228)</u>	<u>(20,787)</u>
Financing activity		
Deferred contributions received for furniture and equipment	-	9,010
Increase in cash flow	53,544	108,394
Cash - beginning of year	303,537	195,143
Cash - end of year	\$ 357,081	\$ 303,537
Cash consists of:		
Cash	\$ 184,257	\$ 130,713
Restricted cash	172,824	172,824
	<u>\$ 357,081</u>	<u>\$ 303,537</u>

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% (2019 - 67%) 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:

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

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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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, \$45,271 (2019 - \$34,875) 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 (2019 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2019 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2020, the Foundation had undrawn capacity of \$37,000 (2019 - \$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 \$6,133 (2019 - \$22,481).

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2020

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 2021 and earns interest at a rate of 0.25% per annum.

5. Accounts receivable

	2020	2019
City of St. Albert receivable	\$ 39,356	\$ 8,479
COVID-19 subsidies receivable (Note 12)	26,419	-
Other receivables	2,777	17,350
	\$ 68,552	\$ 25,829

6. Restricted balances and interfund transfers

During the year, \$4,160 (2019 - \$11,189) was 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.

	2020	2019
Restricted cash	\$ 172,824	\$ 172,824
Capital Restoration Fund	\$ 96,000	\$ 96,000
Information Technology Fund	22,750	22,750
Asset Replacement Fund	19,074	19,074
Board Contingency Fund	17,500	17,500
Management Fund	17,500	17,500
Total Restricted Funds	\$ 172,824	\$ 172,824

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2020

7. Furniture and equipment

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Furniture and fixtures	\$ 67,684	\$ 52,171	\$ 15,513	\$ 20,280
Leasehold improvements	59,570	53,675	5,895	7,368
Computer equipment	14,533	9,406	5,127	5,833
Equipment	10,480	5,651	4,829	6,036
	<u>\$ 152,267</u>	<u>\$ 120,903</u>	<u>\$ 31,364</u>	<u>\$ 39,517</u>

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

	2020	2019
Accounts payable and accrued liabilities	\$ 116,334	\$ 85,267
City of St. Albert payable	27,358	4,977
Government source deductions payable	21,354	14,535
	<u>\$ 165,046</u>	<u>\$ 104,779</u>

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2020

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
Museum Assistance Program - COVID-19 Emergency Support Fund	\$ -	\$ 100,000	\$ -	\$ 100,000
Operating grant for public art gallery	72,108	71,787	102,466	41,429
Alberta Museums Association	34,600	25,000	31,067	28,533
Community Initiatives Program	-	32,423	15,985	16,438
Museum Assistance Program Projects	-	40,437	31,473	8,964
Casino funds	7,651	6,036	7,429	6,258
TD Canada grant	22,481	-	16,348	6,133
Beryl Madden	-	8,000	2,351	5,649
Other	1,994	1,207	55	3,146
	1,277	2,419	668	3,028
	<u>\$ 140,111</u>	<u>\$ 287,309</u>	<u>\$ 207,842</u>	<u>\$ 219,578</u>

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:

	2020	2019
Beginning balance	\$ 9,209	\$ 1,467
Add: restricted grant contributions, net of write-offs	-	9,010
Less: amount amortized to revenue	(2,231)	(1,268)
	<u>\$ 6,978</u>	<u>\$ 9,209</u>

12. COVID-19 subsidies

The recent 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 coronavirus 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 and the Canada Emergency Rent Subsidy (CERS) program. These programs provide non-repayable subsidies to entities experiencing a decrease in revenues over the eligibility period to subsidize labour and rent costs in the face of COVID-19, and are expected to cease in the summer of 2021. There was \$24,662 related to CEWS, and \$1,757 related to CERS in accounts receivable at December 31, 2020.

Further federal government assistance was provided under the Temporary Wage Subsidy (TWS). This program provided a credit for payroll remittances for employee remuneration between March 18 and June 19, 2020. The program was a one-time, temporary measure intended to provide immediate COVID-19 relief.

	2020	2019
Canada Emergency Wage Subsidy	\$ 471,052	\$ -
Temporary Wage Subsidy	25,000	-
Canada Emergency Rent Subsidy	6,456	-
	\$ 502,508	\$ -

13. Contractual obligations

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

2021	\$ 54,621
2022	42,122
2023	43,420
2024	43,419
2025	40,678
Thereafter	188,714
	\$ 412,974

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, 2020.

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 two funders comprise 96% (2019 - one funder comprised 33%) 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. 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, 2020

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

	2020	2019
Revenues		
Donations received at the event	\$ -	\$ 25,114
Ticket and token sales	-	7,257
Bar revenue	-	5,254
Truck fees	-	4,550
Silent auction proceeds	-	1,441
In-kind art contributions received	-	860
Programming proceeds	-	401
Sponsorship	-	82
Raffle tickets	-	-
Activity revenues	-	-
Expenditures		
Remuneration paid to employees	-	11,626
Food and beverages	-	5,995
Complimentary tickets	-	2,875
Entertainment	-	2,600
Design and materials	-	2,020
Fencing and portable toilets	-	1,076
In-kind art contributions received	-	860
Volunteer appreciation	-	430
Ticketing fees	-	292
Programming and activity costs	-	207
Honorariums	-	100
Raffle ticket payout	-	-
Sponsorship	-	-