

CANADIAN MOUNTAIN ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

#1, 714 - 10th Street
Canmore, Alberta
Canada T1W 2A6Box 1000, 370 Cascade Plaza
317 Banff Avenue
Banff, Alberta
Canada T1L 1H4T: 403.678.4444
F: 403.678.5163T: 403.762.8383
F: 403.762.8384

INDEPENDENT AUDITORS' REPORT

To the Directors of Canadian Mountain Arts Foundation:

We have audited the accompanying financial statements of Canadian Mountain Arts Foundation which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our qualified opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Mountain Arts Foundation derives revenue from donations, 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 Canadian Mountain Arts Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenditures and cash flows from operations for the year ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and opening net assets as at January 1, 2017 and 2016 and closing net assets as at December 31, 2017 and 2016.

Qualified Opinion

In our opinion, except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material aspects the financial position of Canadian Mountain Arts Foundation as at December 31, 2017, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Canmore, Alberta
February 28, 2018

Collins Barrow Bow Valley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CANADIAN MOUNTAIN ARTS FOUNDATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Revenue		
Fundraising and membership		
Donations	\$ 120,926	\$ 74,068
Restricted casino contribution	-	20,716
In-kind contributions (note 11)	27,030	8,200
Memberships	26,905	23,699
Fundraising events	24,631	19,460
Program fees		
Vic Lewis	51,755	55,014
artsPlace programs	328,594	245,322
Government grants		
Federal	8,733	10,110
Provincial	70,000	66,000
Municipal	262,063	252,222
Other revenue		
Concessions	33,713	23,742
Facility rental	19,610	10,358
Other	5,860	8,491
	<u>979,820</u>	<u>817,402</u>
Expenditures		
Amortization	34,571	36,653
Facility	70,421	84,856
Fundraising and membership	9,765	9,594
Human resources	317,050	290,953
Marketing and communications	71,977	75,437
Office and administration	34,742	36,133
Programming and events	396,267	283,776
	<u>934,793</u>	<u>817,402</u>
Excess of revenues over expenditures	<u>\$ 45,027</u>	<u>\$ -</u>

CANADIAN MOUNTAIN ARTS FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Balance, beginning of year	\$ 54,874	\$ 54,874
Excess of revenues over expenditures	<u>45,027</u>	<u>-</u>
Balance, end of year	<u><u>\$ 99,901</u></u>	<u><u>\$ 54,874</u></u>

CANADIAN MOUNTAIN ARTS FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash provided for (used by)		
Operating activities		
Fundraising, membership, program fees, grants and other receipts	\$ 912,243	\$ 788,497
Operating expenditures	(853,154)	(850,956)
Interest received	535	592
	<u>59,624</u>	<u>(61,867)</u>
Investing activities		
Purchase of property and equipment	-	(8,309)
Purchase of investments	(5,000)	(5,000)
Redemption of investments	5,000	5,000
Transfer from non-current restricted cash	32,380	2,255
Transfer to non-current restricted cash	-	(15,000)
	<u>32,380</u>	<u>(21,054)</u>
Cash inflow (outflow)	92,004	(82,921)
Cash, beginning of year	<u>96,851</u>	<u>179,772</u>
Cash, end of year	<u>\$ 188,855</u>	<u>\$ 96,851</u>
Unrestricted cash	<u>\$ 150,185</u>	<u>\$ 78,711</u>
Restricted cash - current		
Banff Canmore Community Foundation	-	11,800
Discover Art fund	10,000	1,470
Music Scholarship fund	800	2,200
Rosza Foundation	1,200	-
Town of Canmore - 2015 capital grant	2,670	2,670
Town of Canmore - operating grant	24,000	-
	<u>38,670</u>	<u>18,140</u>
Total restricted cash - current	<u>\$ 188,855</u>	<u>\$ 96,851</u>

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Canadian Mountain Arts Foundation (CMAF), operating under the trade name "artsPlace", acts as a catalyst and a resource for creating, connecting, and promoting the arts in the Bow Valley. Established in 1996, CMAF is a registered charity created under the provisions of the Societies Act of Alberta whose objectives are to: create opportunities for the arts and artists in Canmore; provide opportunities for the Canmore community to be exposed to a wide variety of Canadian artistic talent; provide educational opportunities in the arts, and establish, maintain and operate a community arts centre in Canmore.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Foundation follows the deferral method of accounting and revenue is recognized as follows:

i) Unrestricted contributions

Unrestricted contributions are recognized as revenue in the year that the contribution is received.

ii) Restricted contributions

Restricted contributions are recognized as revenue during the period in which the related expenditures are incurred. Until that time the contributions received are treated as a deferred contribution as detailed in note 8 and note 9.

iii) Program fees and fundraising

Program fees and fundraising revenue is recognized as revenue when the events occur and collection is reasonably assured.

iv) Donations

Unless specifically restricted by the donor, donations are available for unrestricted use and recognized as revenue when received.

v) Memberships

Memberships are recognized as revenue in the year that the fee is received.

vi) Concessions

Concession sales are recognized as revenue when the transfer of goods is complete and collection is reasonably assured.

vii) Facility rental

Rental revenue is deferred and recognized when events occur and collection is reasonably assured.

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

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1. Significant accounting policies (cont'd)

b) Cash

Cash is comprised of restricted and unrestricted cash held at financial institutions.

c) Income taxes

The Foundation qualifies as a charitable organization and as such is exempt from income tax pursuant to Section 149(1)(f) of the Income Tax Act of Canada.

d) Amortization

The Foundation follows the straight line method of amortization on the following basis:

Heintzman grand piano and Yamaha piano	20 years
Mason and Hamlin grand piano	40 years
Computer hardware	3 years
Computer software	2 years
Furniture and equipment	5 years
Website	3 years

e) Inventory

Inventory is stated at the lower of cost and estimated net realizable value, with costs determined principally on a first-in first-out basis.

f) Contributed goods and services

Contributed goods and services are recognized in the financial statements at the fair market value of the items and services received.

Volunteers contribute significantly in carrying out the activities of the Foundation. Due to the difficulty in determining their fair value, contributed services by volunteers are not recognized in the financial statements.

g) Financial instruments

The Foundation's financial instruments consist of cash, restricted cash, investments, accounts receivable and accounts payable and accrued liabilities. All financial instruments are initially recorded at fair market value, and subsequently at amortized cost. They are evaluated for impairment at each statement of financial position date with a write-down recorded in the statement of revenue and expenditures. Impairment reversals may occur and the asset can be written up to its original cost. Changes in fair value are recognized in the statement of revenue and expenditures.

Unless otherwise noted, it is in the directors' opinion that the Foundation is not exposed to significant interest, currency, credit, market, or liquidity risks arising from these financial instruments.

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

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1. Significant accounting policies (cont'd)

h) Measurement uncertainty

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, accounts payable and accrued liabilities and contributed goods and services. Actual results could differ from those estimates.

2. Cash

The Foundation has available to it a \$ 5,000 credit card facility that bears interest at 19.90 percent per annum. At December 31, 2017, the balance owing was \$ 129 (2016 - \$ 1,522).

	2017	2016
3. Accounts receivable		
Trade receivables	\$ 7,485	\$ 13,520
G.S.T. receivable	-	12,459
	<u>\$ 7,485</u>	<u>\$ 25,979</u>

4. Restricted cash

Restricted cash is comprised of restricted donations not planned for use in the upcoming year and funds received from the Town of Canmore which are to be used to fund operational shortfalls, but not budgeted for current purposes.

	2017	2016
5. Investments		
Guaranteed investment certificate bearing interest at 0.65 percent per annum, due January 21, 2018	\$ 5,000	\$ -
Guaranteed investment certificate bearing interest at 0.65 percent per annum, due January 21, 2017	-	5,000
	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The above investment is externally restricted as collateral on the Foundation's credit card and therefore is considered a long-term asset.

6. Property and equipment

	Cost	Accumulated Amortization	Net Book Value
2017			
Heintzman grand piano	\$ 17,678	\$ 3,978	\$ 13,700
Mason & Hamlin grand piano	35,000	17,938	17,062
Yamaha piano	2,750	345	2,405
Computer hardware	14,652	12,683	1,969
Computer software	4,245	3,017	1,228
Furniture and equipment	134,270	65,380	68,890
Website	8,776	8,776	-
	<u>\$ 217,371</u>	<u>\$ 112,117</u>	<u>\$ 105,254</u>

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6.	Property and equipment (cont'd)		Accumulated	Net Book
		Cost	Amortization	Value
	2016			
	Heintzman grand piano	\$ 17,678	\$ 3,094	\$ 14,584
	Mason & Hamlin grand piano	35,000	17,063	17,937
	Yamaha piano	2,750	207	2,543
	Computer hardware	14,652	8,356	6,296
	Computer software	4,245	2,402	1,843
	Furniture and equipment	134,270	39,111	95,159
	Website	8,776	7,313	1,463
		<u>\$ 217,371</u>	<u>\$ 77,546</u>	<u>\$ 139,825</u>
7.	Accounts payable and accrued liabilities		2017	2016
	Trade payables		\$ 31,587	\$ 23,398
	Goods and services tax payable		2,882	-
	Source deductions payable		5,793	6,128
	Town of Canmore		2,253	1,761
			<u>\$ 42,515</u>	<u>\$ 31,287</u>
8.	Deferred operating contributions			

Deferred operating contributions represent unspent externally restricted contributions for future operations. Changes in deferred contribution balances are as follows:

	Banff Canmore Community Foundation	Discover Art Fund	Music Scholarship Fund	Rosza Foundation	Town of Canmore Operating Grant	2017 Total	2016 Total
Balance, beginning of year	\$ 11,800	\$ 16,470	\$ 2,200	\$ -	\$ 68,196	\$ 98,666	\$ 98,282
Deferred contributions received	1,956	150	-	2,700	-	4,806	28,186
	<u>13,756</u>	<u>16,620</u>	<u>2,200</u>	<u>2,700</u>	<u>68,196</u>	<u>103,472</u>	<u>126,468</u>
Contributions recognized as revenue	13,756	-	1,400	1,500	-	16,656	27,802
	<u>-</u>	<u>16,620</u>	<u>800</u>	<u>1,200</u>	<u>68,196</u>	<u>86,816</u>	<u>98,666</u>
Balance, end of year	-	16,620	800	1,200	68,196	86,816	98,666
Current portion of deferred contributions	-	10,000	800	1,200	24,000	36,000	15,470
	<u>-</u>	<u>10,000</u>	<u>800</u>	<u>1,200</u>	<u>24,000</u>	<u>36,000</u>	<u>15,470</u>
Long-term deferred contributions	\$ -	\$ 6,620	\$ -	\$ -	\$ 44,196	\$ 50,816	\$ 83,196
	<u>\$ -</u>	<u>\$ 6,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,196</u>	<u>\$ 50,816</u>	<u>\$ 83,196</u>

Town of Canmore operating grant contributions relate to contributions received from the Town of Canmore in 2013 and 2014 prior to the organization operating at its budgeted expenditure levels. These funds remain available for use against future operating expenses.

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9. Deferred capital contributions

	2017	2016
Balance, beginning of year	\$127,213	\$ 177,181
Deferred contributions recognized as revenue	32,062	49,968
Balance, end of year	95,151	127,213
Current portion of deferred capital contributions	33,378	34,732
Long-term deferred capital contributions	<u>\$ 61,773</u>	<u>\$ 92,481</u>

Deferred capital contributions consist of:

	2017	2016
Town of Canmore - capital grant	\$ 2,670	\$ 2,670
Deferred contributions spent on capital items	92,481	124,543
	<u>\$ 95,151</u>	<u>\$ 127,213</u>

Capital contributions relate to externally restricted contributions for capital purchases. The funds above for Town of Canmore - Capital Grant have not been spent. The items allocated to deferred contributions spent on capital items relate to contributions used for the purchase of pianos, computer software, computer hardware and furniture and equipment. The deferred balance is recognized as revenue on the same basis as the amortization expense related to the purchases.

10. Related party transactions

During the year, two individuals from the board of directors were paid as instructors for courses offered by the Foundation. The payments for services totalled \$ 8,658 (2016 - \$ 3,214) and are included in the programming and events expenditures.

These transactions were completed in the normal course of operations on normal market terms and are measured at the exchange amount.

11. In-kind contributions

The Foundation receives donations of goods and services to be used in operations. In-kind contributions recognized in the expenditures are as follows:

	2017	2016
Programming and events	<u>\$ 27,030</u>	<u>\$ 8,200</u>

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12. Financial instrument risk disclosure

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentration at December 31, 2017.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risk relates to its cash and restricted cash.

The Foundation mitigates its exposure to credit risk by placing its cash and restricted cash with major financial institutions, and therefore believes its credit risk exposure is limited. The risk has not changed from the prior year.

13. Commitments

The Town of Canmore has signed a services agreement with the Foundation which requires the Foundation to manage the Canmore Arts Centre Programs and Services for a period of five years terminating on April 30, 2018. The agreement is renewable for a further five year term subject to acceptance by both parties. The Town of Canmore will supplement the costs of operations for the Canmore Arts Centre.

The Foundation leases the building in which its offices and the operations for the Canmore Arts Centre are located from the Town of Canmore. The lease agreement, which expires on July 31, 2019 is renewable for a further five year term subject to acceptance by both parties. The terms of the lease require the tenant to pay all utilities, however, no annual rent is payable to the Town of Canmore.

14. Economic dependence

The Foundation receives an annual operating grant from the Town of Canmore. The grant amount of \$ 230,000 (2016 - \$ 200,000) is recognized as revenue under municipal government grants. The operating grant represents a significant portion of the Foundation's revenue and as a result the Foundation is economically dependent on the Town of Canmore.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.