

CANADIAN MOUNTAIN ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015 and the statements of revenue and expenditures, 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, 2015 and 2014, current assets as at December 31, 2015 and 2014 and opening net assets as at January 1, 2015 and 2014 and closing net assets as at December 31, 2015 and 2014.

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, 2015, 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 25, 2016

Collins Barrow Bow Valley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CANADIAN MOUNTAIN ARTS FOUNDATION
(Incorporated under the laws of Alberta)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS	2015	2014
Current assets		
Cash	\$ 179,772	\$ 321,098
Short-term investments (note 2)	5,000	-
Accounts receivable (note 3)	48,706	8,523
Inventory	2,191	-
Prepaid expenses	100	-
	<u>235,769</u>	<u>329,621</u>
Restricted cash (note 4)	70,451	18,723
Property and equipment (note 5)	168,169	46,292
	<u>\$ 474,389</u>	<u>\$ 394,636</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 107,830	\$ 89,242
Deferred contributions (note 7)	275,463	240,554
Deferred revenue	36,222	-
Funds held in trust	-	9,966
	<u>419,515</u>	<u>339,762</u>

NET ASSETS

Unrestricted net assets	<u>54,874</u>	<u>54,874</u>
	<u>\$ 474,389</u>	<u>\$ 394,636</u>

Approved on behalf of the Board

_____, Director

_____, Director

CANADIAN MOUNTAIN ARTS FOUNDATION
STATEMENT OF REVENUE AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2015

	2015	2014
Revenue		
Fundraising and membership		
Donations		
Unrestricted	\$ 37,595	\$ 7,455
Restricted	16,903	51,068
Restricted casino contribution	29,509	-
In-kind contributions (note 8)	12,100	10,380
Memberships	11,056	-
Other fundraising	4,967	1,600
Program fees		
Vic Lewis	51,698	51,980
artsPlace programs	75,759	-
Government grants		
Federal	13,145	13,934
Provincial	74,170	6,169
Municipal	259,218	79,965
Other revenue		
Merchandise	5,310	-
Other	7,163	608
	<u>598,593</u>	<u>223,159</u>
Expenditures		
Amortization	21,103	4,526
Communications	55,941	4,818
Facility	48,906	-
Fundraising and membership	15,352	-
Human resources	251,391	95,064
Office and administration	38,958	36,190
Planning and reporting	8,746	2,045
Programming and events	158,196	75,193
	<u>598,593</u>	<u>217,836</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 5,323</u>

CANADIAN MOUNTAIN ARTS FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	2015	2014
Balance, beginning of year	\$ 54,874	\$ 49,551
Excess of revenue over expenses	<u>-</u>	<u>5,323</u>
Balance, end of year	<u><u>\$ 54,874</u></u>	<u><u>\$ 54,874</u></u>

CANADIAN MOUNTAIN ARTS FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Cash provided for (used by)		
Operating activities		
Grants, donations and other receipts	\$ 600,995	\$ 405,669
Operating expenditures	(549,094)	(137,426)
Interest received	1,331	608
	<u>53,232</u>	<u>268,851</u>
Investing activities		
Purchase of property and equipment	(137,830)	(11,113)
Purchase of short-term investments	(5,000)	-
Transfer to non-current restricted cash	(51,728)	(18,723)
	<u>(194,558)</u>	<u>(29,836)</u>
Cash inflow (outflow)	(141,326)	239,015
Cash, beginning of year	<u>321,098</u>	<u>82,083</u>
Cash, end of year	<u>\$ 179,772</u>	<u>\$ 321,098</u>
Unrestricted cash	<u>\$ 63,206</u>	<u>\$ 111,343</u>
Restricted cash		
Alberta Foundation for the Arts	-	25,000
Alberta Gaming and Liquor Commission (AGLC)	20,000	-
Banff Community Foundation	4,000	8,000
Community Facility Enhancement Program	60,000	-
Community Initiative Project	-	38,000
Discover Art fund	65	-
Funds held in trust	-	9,966
Music Scholarship fund	2,200	-
Other	1,566	-
The Calgary Foundation	-	6,903
Town of Canmore - 2014	-	121,886
Town of Canmore - 2015 capital grant	28,735	-
	<u>116,566</u>	<u>209,755</u>
Total restricted cash	<u>\$ 179,772</u>	<u>\$ 321,098</u>

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 7.

iii) Program fees and fundraising

Event registration, sponsorship and ticket sales revenue are 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 unrestricted contributions in the year that the contribution is received.

b) Cash

Cash is comprised of restricted and unrestricted cash held at financial institutions. Restricted cash is expected to be used within the next fiscal year unless otherwise noted.

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.

CANADIAN MOUNTAIN ARTS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Significant accounting policies (cont'd)

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, short-term investments, accounts receivable and accounts payable and accrued liabilities. All financial instruments are measured at amortized cost, 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.

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.

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Short-term investments **2015** **2014**

Guaranteed investment certificate bearing interest at 1.05 percent per annum	\$ 5,000	\$ -
	<u> </u>	<u> </u>

The above investment is externally restricted as collateral on the Foundation's credit card.

3. Accounts receivable **2015** **2014**

Trade receivables	\$ 41,609	\$ 8,523
G.S.T. receivable	7,097	-
	<u> </u>	<u> </u>
	\$ 48,706	\$ 8,523
	<u> </u>	<u> </u>

4. Restricted cash

Restricted cash relates to funds received from the Town of Canmore which are to be used to fund operational shortfalls, but not budgeted for current purposes.

5. Property and equipment

	Cost	Accumulated Amortization	Net Book Value
2015			
Heintzman grand piano	\$ 17,678	\$ 2,210	\$ 15,468
Mason & Hamlin grand piano	35,000	16,188	18,812
Yamaha piano	2,750	69	2,681
Computer hardware	14,652	3,556	11,096
Computer software	1,787	1,640	147
Furniture and equipment	128,419	12,842	115,577
Website	8,776	4,388	4,388
	<u> </u>	<u> </u>	<u> </u>
	\$ 209,062	\$ 40,893	\$ 168,169
	<u> </u>	<u> </u>	<u> </u>
2014			
Heintzman grand piano	\$ 17,678	\$ 1,326	\$ 16,352
Mason & Hamlin grand piano	35,000	15,313	19,687
Computer hardware	2,841	641	2,200
Computer software	1,787	1,047	740
Website	8,776	1,463	7,313
	<u> </u>	<u> </u>	<u> </u>
	\$ 66,082	\$ 19,790	\$ 46,292
	<u> </u>	<u> </u>	<u> </u>

During the period the Foundation received contributions in-kind of a piano and computer hardware. The in-kind donations were recorded at their fair value of \$ 5,150.

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

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6. Accounts payable and accrued liabilities	2015	2014
Trade payables	\$ 39,295	\$ 25,930
Government remittances payable	5,405	1,312
Town of Canmore	63,130	62,000
	<u>\$ 107,830</u>	<u>\$ 89,242</u>

7. Deferred contributions

Deferred contributions represent contributions that have been externally restricted as described below and are therefore not generally available to pay for operating expenses of the organization.

	2015	2014
Operating contributions:		
Balance, beginning of year	\$ 218,512	\$ 18,723
Deferred contributions received	222,895	321,000
	<u>441,407</u>	<u>339,723</u>
Deferred contributions recognized as revenue	343,125	121,211
Balance, end of year	<u>\$ 98,282</u>	<u>\$ 218,512</u>
Capital contributions:		
Balance, beginning of year	\$ 22,042	\$ 23,305
Deferred contributions received	265,150	588
	<u>287,192</u>	<u>23,893</u>
Deferred contributions recognized as revenue	110,011	1,851
Balance, end of year	<u>\$ 177,181</u>	<u>\$ 22,042</u>

Deferred contributions consist of the following funds:

Operating

Alberta Gaming and Liquor Commission (AGLC)	\$ 20,000	\$ -
Alberta Foundation for the Arts	-	25,000
Banff Community Foundation	4,000	8,000
Community Initiative Project	-	38,000
Discover Art Fund	65	-
Music Scholarship Fund	2,200	-
Other	1,566	-
The Calgary Foundation	-	6,903
Town of Canmore - operating grant	70,451	140,609
	<u>98,282</u>	<u>218,512</u>

Capital

Town of Canmore - Capital Grant	28,735	-
Deferred contributions spent on capital items	148,446	22,042
	<u>177,181</u>	<u>22,042</u>
	<u>\$ 275,463</u>	<u>\$ 240,554</u>

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

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7. Deferred contributions (cont'd)

Operating contributions relate to externally restricted contributions for the operations of the Canmore Arts Centre for which expenses have not yet been incurred. These contributions are recognized as the expenses are incurred in future periods.

The amount specifically allocated to a separate bank account for the AGLC as per their granting requirements is only \$ 15,595 as at December 31, 2015 and accordingly the Foundation is in breach of their grant agreement. The remaining amount is co-mingled in a savings account.

Capital contributions relate to externally restricted contributions for the capital purchases. The items 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.

8. In-kind contributions

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

	2015	2014
Event costs	\$ 12,100	\$ 10,380

9. 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, 2015.

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.

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

10. 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.

CANADIAN MOUNTAIN ARTS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. Comparative figures

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