

THE ALBERTA SOCIETY OF ARTISTS
Financial Statements
Year Ended December 31, 2021

THE ALBERTA SOCIETY OF ARTISTS
Statement of Financial Position
December 31, 2021

	GIFI	L/S	2021	2020
ASSETS				
CURRENT				
Cash and cash equivalents (<i>Notes 3, 5, 9</i>)	1000	A	\$ 202,493	\$ 217,278
Accounts receivable (<i>Note 4</i>)	1060	C	300	750
Goods and services tax rebate recoverable	1483	BB	2,412	3,017
Prepaid expenses	1484	L	-	338
			\$ 205,205	\$ 221,383
LIABILITIES				
CURRENT				
Accounts payable (<i>Note 6</i>)	2620	BB	\$ 7,550	\$ 9,136
Wages payable	2624	BB	2,412	2,026
Deferred revenue (<i>Note 8</i>)	2770	GG	96,126	92,787
			106,088	103,949
NET ASSETS				
UNRESTRICTED (<i>Note 9</i>)			99,117	117,434
			\$ 205,205	\$ 221,383

See notes to financial statements

THE ALBERTA SOCIETY OF ARTISTS
Statement of Revenues and Expenditures
Year Ended December 31, 2021

	GIFI	L/S	2021	2020
REVENUES				
AFA contract income (Notes 7, 8)	8000	20	\$ 198,147	\$ 174,609
Casino revenue (Note 8)	8000	20	18,855	61,374
Membership fees (Note 8)	8000	20	10,090	16,032
Grants	8000	20	6,327	7,963
Sales and others	8000	20	5,242	1,400
Exhibition fees	8000	20	3,900	4,325
Jury fees	8000	20	4,520	1,520
Donations	8000	20	624	1,814
Interest income	8000	20	360	777
			248,065	269,814
EXPENSES				
Contractual fees	9270	40	67,465	56,454
Wages and benefits	9060	40	35,232	27,396
Honorariums & Artist fees	9270	40	49,367	59,004
Rent	8910	40	39,073	39,046
Freight, delivery and crates	9275	40	29,588	39,400
Professional fees	8860	40	12,740	10,149
Advertising and promotion	8520	40	10,580	10,313
Office and general	8810	40	6,272	9,976
Insurance	8690	40	5,697	4,614
Scholarships	9270	40	4,000	3,000
Software and equipment	9150	40	2,454	4,581
Travel	9200	40	1,459	1,258
Bank charges	8715	40	1,212	943
Social events and reception	9270	40	664	293
Website maintenance	9270	40	579	2,614
			266,382	269,041
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES			\$ (18,317)	\$ 773

THE ALBERTA SOCIETY OF ARTISTS
Statement of Revenue and Expenditures By Project (Schedule 1)
Year Ended December 31, 2021

	Operating and Administration	TREN Fund	2021	2020
REVENUES				
AFA contract income (Notes 7, 8)	\$ -	\$ 198,147	\$ 198,147	\$ 174,609
Casino revenue (Note 8)	18,855	-	18,855	61,374
Membership fees (Note 8)	10,090	-	10,090	16,032
Grants	6,327	-	6,327	7,963
Exhibition fees	-	3,900	3,900	4,325
Donations	624	-	624	1,814
Jury fees	4,520	-	4,520	1,520
Sales and others	5,242	-	5,242	1,400
Interest income	360	-	360	777
	46,018	202,047	248,065	269,814
EXPENSES				
Honorariums & Artist fees	6,745	42,622	49,367	59,004
Contractual fees	-	67,465	67,465	56,454
Freight, delivery and crates	40	29,548	29,588	39,400
Rent	22,293	16,779	39,072	39,046
Wages and benefits	20,649	14,583	35,232	27,396
Advertising and promotion	908	9,672	10,580	10,313
Professional fees	4,640	8,100	12,740	10,149
Office and general	2,059	4,212	6,271	9,976
Insurance	3,583	2,114	5,697	4,614
Software and equipment	939	1,515	2,454	4,581
Scholarships	4,000	-	4,000	3,000
Website maintenance	579	-	579	2,614
Travel	309	1,150	1,459	1,258
Bank charges	827	387	1,214	943
Social events and reception	664	-	664	293
	68,235	198,147	266,382	269,041
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (22,217)	\$ 3,900	\$ (18,317)	\$ 773

See notes to financial statements

THE ALBERTA SOCIETY OF ARTISTS
Statement of Changes in Net Assets
Year Ended December 31, 2021

	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 117,434	\$ 116,661
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(18,317)</u>	<u>773</u>
NET ASSETS - END OF YEAR	<u>\$ 99,117</u>	<u>\$ 117,434</u>

THE ALBERTA SOCIETY OF ARTISTS
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (18,317)	\$ 773
Changes in non-cash working capital:		
Accounts receivable	450	500
Interest receivable	-	121
Accounts payable	(1,586)	(5,756)
Deferred revenue	3,339	(26,486)
Prepaid expenses	338	(24)
Goods and services tax rebate recoverable	605	1,827
Wages payable	386	2,026
	<u>3,532</u>	<u>(27,792)</u>
Cash flow used by operating activities	<u>(14,785)</u>	<u>(27,019)</u>
INVESTING ACTIVITY		
Transfer of GIC to cash and cash equivalents (Note 5)	-	50,000
INCREASE (DECREASE) IN CASH FLOW	(14,785)	22,981
Cash - beginning of year	<u>217,278</u>	<u>194,297</u>
CASH - END OF YEAR	\$ 202,493	\$ 217,278
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 913</u>	<u>\$ 101</u>
CASH CONSISTS OF:		
Cash	\$ 152,493	\$ 167,157
GIC	<u>50,000</u>	<u>50,121</u>
	<u>\$ 202,493</u>	<u>\$ 217,278</u>

See notes to financial statements

THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

1. PURPOSE OF THE NOT-FOR-PROFIT ORGANIZATION AND ECONOMIC DEPENDENCY

The Alberta Society of Artists (the "Society") was registered with the Government of Alberta on March 21, 1931, under the Societies Act of Alberta and is exempt from income tax as the organization is registered as a charity with Canada Revenue Agency pursuant to the Income Tax Act. The purpose of the Society, an association of professional artists, is to further and promote the development of visual arts in Alberta.

The Society leased a long-term gallery and workshop space at Unit #222, 1235 – 26th Avenue S.E. and occupied the space on August 1, 2020 (see Note 10.). As a result, the Society invested minor non-capital contributions to prepare the space and make it suitable for its purposes. The establishment of this space has been a long sought after goal of the Society.

The Society receives 82% (2020 - 64%) of its revenue from Alberta Foundation for the Arts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

1. Accounts Receivable

Management estimates the collectibility of trade receivables and recovery of prepayment based on analysis of accounts. Factors taken into consideration include the aging of receivables in comparison with the credit terms allowed to customers and the financial position and collection history with the customer. Should actual collections be less than estimates, the Society would be required to record an additional expense.

2. Allocation of costs

The expenses related to specific projects are posted directly to the associated project. Expenses allocated to multiple projects are allocated to the various functions based on management's estimate of the usage of the expense by each function.

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THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial instruments policy

Financial assets and liabilities are measured initially at fair value, except for certain non-arm's length transactions which are measured at carrying amount or exchange amount as appropriate. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost include cash & cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and wages payable.

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, either 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 loss not been recognized previously. The amount of the reversal is recognized in net income.

Revenue recognition

The Society uses the deferral method of accounting for contributions (i.e. grants and contributions). Under this method, contributions restricted to expenses of future periods are deferred and recognized as revenue in the period when the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Registration fees are recognized as revenue when the events are held.

Exhibition fees are recognized as revenue when the exhibitions are held. Exhibitions covering two fiscal periods are recognized in revenue to the extent of completion of the exhibition.

Membership fees are accrued annually based on the prior year's membership.

Donation and sponsorships, interest, jury fees are recognized as revenue when received.

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates (GIC) and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets of a small Not-for-Profit Organization (NPO)

In accordance with Canadian accounting standards for not-for-profit organizations, the Alberta Society of Artists qualifies as a small organization as defined in the CPA Handbook for purposes of reporting capital assets. Accordingly, the society has opted to report tangible capital assets as expenses in the year they are purchased. Proceeds from the disposition of tangible capital assets are reported as revenue in the year they are sold. No amortization is recorded, nor are the tangible capital assets reported on the statement of financial position. For the year ending December 31, 2021 no capital assets (2020 - \$2,012) were purchased.

Contributed materials and services

Volunteers contribute many hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

3. RESTRICTED CASH

	2021	2020
Externally restricted cash - Casino revenue	\$ 8,678	\$ 27,534
Externally restricted cash - Deferred contributions	99,361	71,936
Externally restricted cash	108,039	99,470
Unrestricted cash	94,454	117,808
Cash and cash equivalents	\$ 202,493	\$ 217,278

4. ACCOUNTS RECEIVABLE

	2021	2020
Accounts receivable	\$ 300	\$ 750

The amounts included in accounts receivable relate to TREX booking fees for exhibitions and are deemed to be collectible.

THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

5. INVESTMENTS

	2021	2020
<u>Long-term asset</u>		
GIC - Restricted net assets, beginning of year	\$ -	\$ 50,000
Transferred to Unrestricted Cash	-	(50,000)
	\$ -	\$ -

The restricted net assets investment consists of a Guaranteed Income Certificate with a maturity date of March 17, 2021 with an interest rate of 1.000%. The terms of the restriction on the \$50,000 GIC have been fulfilled, thereby releasing the restriction, wherein the nature of the restriction and release of restriction on net assets is described in Note 9.

6. CREDIT CARDS

The Society has credit cards outstanding for operational expenses for the year ended 2021. The total authorized credit limit is \$6,500 bearing interest at 19.99% for purchases and 22.99% for cash advances. Interest is compounded daily and payable monthly. As at December 31, 2021, credit card debt included in accounts payable totaled \$551 (2020 - \$1,380)

7. SIGNIFICANT AGREEMENTS

The Society has entered into an agreement with the Alberta Foundation for the Arts (the "Foundation") on March 12, 2018 pursuant to which the Society has agreed to provide certain services and materials relating to the coordination of the Travelling Exhibition Program ("TREX") within the Province of Alberta. The agreement is effective until March 31, 2023, unless terminated in accordance with the terms of the contract.

As per the terms of the agreement, the Foundation will pay the Society the fixed price sum of \$1,077,134, including all expenses incurred by the Society to perform the services as defined by the contract, paid in installments starting June 1, 2018 until March 1, 2023. The expected payments from the Foundation are as follows:

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<u>Payment Date</u>					
June 1	69,579	72,369	75,319	78,324	81,404
September 1	109,339	113,723	118,359	123,082	127,923
March 1	19,880	20,677	21,520	22,378	23,258
Total	198,798	206,769	215,198	223,784	232,585

THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

8. DEFERRED REVENUE

	Opening balance	Funds received	Funds used	2021	2020
AFA TREX contract income	\$ 61,031	\$ 222,926	\$ (198,147)	\$ 85,810	\$ 61,031
Casino	27,534	-	(18,856)	8,678	27,534
Membership fees	4,222	9,145	(11,729)	1,638	4,222
	<u>92,787</u>	<u>232,071</u>	<u>(228,732)</u>	96,126	<u>92,787</u>
	\$ 92,787	\$ 232,071	\$ (228,732)	\$ 96,126	\$ 92,787

9. RESTRICTIONS ON NET ASSETS

In 2013, the provincial council of the Alberta Society of Artists resolved to restrict \$75,000 for the purpose of obtaining a long-term gallery or workshop space either through lease or purchase. The Alberta Society of Artists may not use these internally restricted amounts for any other purpose without the approval of provincial council.

During the year ended 2019, council approved the use of \$25,000 for the purpose of paying for the Society's operational funds. For the year ended 2020, as a result of leasing its new gallery and workshop, the terms governing the restriction have been fulfilled by the Society.

As a result of fulfilling the mandate during the year ended 2020, as required by the above noted internal restriction, the provincial council has approved to release the restrictions on the remaining \$50,000 invested in a GIC maturing on March 17, 2021, and its use remains subject to direction from the provincial council. The remaining balance of \$50,000 is invested in a GIC, has been transferred from restricted to unrestricted net assets, and has been reclassified from long term investment to cash and cash equivalents.

THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

10. LEASE COMMITMENTS

The organization has entered into an extension of their current lease agreement for office premises. This amending agreement has been entered into on August 1, 2020 and will extend their current lease for an additional two years expiring on December 31, 2024. There have been no changes to the lease payment schedule or the payment amounts. Minimum lease payments for the current term of the lease are as follows:

Effective October 1, 2020, the occupancy costs will be adjusted annually. As of December 31, 2021, for financial disclosure purposes, these costs have been estimated based on the actual amounts stated in the lease.

	Rent	Occupancy costs	Total
2022	\$ 22,661	\$ 15,435	\$ 38,096
2023	22,661	15,435	38,096
2024	22,661	15,435	38,096
	\$ 67,983	\$ 46,305	\$ 114,288

11. FINANCIAL RISKS

The organization 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 organization's risk exposure and concentration as of December 31, 2021.

(a) Credit risk

The Society is exposed to credit risk with respect to accounts receivable, especially due to its unpaid memberships. The Society has adopted a policy where any member wanting to participate in any event hosted by the Society must first pay his or her membership fees thus mitigating credit risk with respect to unpaid membership fees. The GICs are deposited in major, reputable Canadian banks. As at December 31, 2021, the allowance for doubtful accounts was \$NIL (2020 - \$NIL).

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources and the financial liabilities recognized in the statement of financial position.

(c) 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 Society is exposed to interest rate risk with respect to its investments in GICs due to their fixed rates. Changes in interest rates can affect the fair value of the investment.

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THE ALBERTA SOCIETY OF ARTISTS
Notes to Financial Statements
Year Ended December 31, 2021

11. FINANCIAL RISKS (*continued*)

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

12. SIGNIFICANT EVENTS AND GOING CONCERN

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result, there has been a downturn in many economic factors that may have a negative effect on the cash flows of the Society. The impact of COVID-19 on the global economy, and the restrictions related to social gatherings, are evolving and the potential impact on the Society is uncertain and cannot be quantified at this time. It is council's expectation that the impact of the virus will not affect the Society's ability to operate as a going concern. The pandemic is still on going and therefore the full financial impact is unknown at this time.