

FEDERATION OF CANADIAN ARTISTS
FINANCIAL STATEMENTS
DECEMBER 31, 2011

FEDERATION OF CANADIAN ARTISTS

DECEMBER 31, 2011

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AUDITOR'S REPORT

To the Members of Federation of Canadian Artists

I have audited the accompanying financial statements of **Federation of Canadian Artists**, which comprise the statement of financial position as at December 31, 2011, the statement of operations and net assets and statement of cash flows for the year then ended, and the 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 generally accepted accounting principles, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgment, 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 the 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

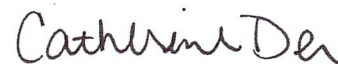
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Federation of Canadian Artists as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Burnaby, B.C.
April 14, 2012



CHARTERED ACCOUNTANT

These financial statements are prepared solely for use by the client with whom Catherine Der Inc., Chartered Accountant, has entered into a contract and there are no representations of any kind made by me to any party with whom I have not entered into a written contract.

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 60,892	\$ 106,626
Investments	116,057	96,975
Accounts receivable	4,720	1,743
Silver award pins	1,470	1,680
Prepaid expenses	5,965	2,789
	189,104	209,813
WORKS OF ART (Note 3)	3,000	3,000
CAPITAL ASSETS (Note 4)	13,275	17,678
	\$ 205,379	\$ 230,491
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 33,049	\$ 26,982
Deferred revenue (Note 5)	91,392	89,857
	124,441	116,839
DEFERRED CONTRIBUTIONS (Note 6)	2,174	3,262
	126,615	120,101
NET ASSETS		
NET ASSETS	78,764	110,390
	\$ 205,379	\$ 230,491

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF OPERATIONS AND NET ASSETS

YEAR ENDED DECEMBER 31, 2011

	2011	2010
REVENUES		
Membership fees	\$ 125,845	\$ 129,908
Classes and workshops	124,527	187,679
Gallery sales and exhibition fees	84,785	106,968
B.C. Gaming	4,984	4,490
Donations and fundraising	21,669	11,955
International Juried Exhibitions	25,565	29,447
Paintings, by Numbers event	164,616	158,378
Magazine	3,371	6,303
Miscellaneous	6,425	8,011
Amortization of deferred contribution	1,087	1,087
Rental shows	6,365	4,628
	569,239	648,854
EXPENSES		
Amortization	5,329	5,906
Artists' share of sale of paintings	30,363	51,660
Classes and workshops	109,442	134,409
Contract services	1,460	1,317
Fundraising	12,293	-
Gallery operations	10,584	12,294
Magazine and postage	41,540	40,440
Office and administration	40,855	37,568
Paintings, by Numbers event	139,180	132,283
International Juried Exhibitions	15,864	19,140
Premises	23,506	29,493
Professional fees	22,253	16,552
Salaries and benefits	148,196	145,853
	600,865	626,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(31,626)	21,939
NET ASSETS, beginning of year	110,390	88,451
NET ASSETS, end of year	\$ 78,764	\$ 110,390

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

CASH FLOW STATEMENT

YEAR ENDED DECEMBER 31, 2011

	2011	2010
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenue over Expenses for the year	\$ (31,626)	\$ 21,939
Charges to Revenue over Expenses not affecting cash flow:		
Amortization	5,329	5,906
Amortization of deferred contributions	(1,087)	(1,087)
	(27,384)	26,758
Changes in non-cash working capital:		
Accounts receivable	(2,977)	(1,743)
Silver award pins	210	210
Prepaid expenses	(3,176)	6,607
Accounts payable and accrued liabilities	6,067	(1,546)
Deferred revenue	1,535	(22,756)
	(25,725)	7,530
INVESTING ACTIVITIES		
Purchase of capital assets	(926)	(1,176)
Purchase of investments	(65,519)	(101,385)
Proceeds on sale of investments	46,436	86,500
	(20,009)	(16,061)
NET DECREASE IN CASH AND EQUIVALENTS	(45,734)	(8,531)
CASH AND EQUIVALENTS, beginning of year	106,626	115,157
CASH AND EQUIVALENTS, end of year	\$ 60,892	\$ 106,626

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. GENERAL INFORMATION

Federation of Canadian Artists (the "Society") was formed under the laws of British Columbia as a Society and is a non-profit organization under the Income Tax Act. On February 24, 1998, the Society changed its name from Federation of Canadian Artists (B.C. Region) to Federation of Canadian Artists. The purpose of the Society is to promote and enhance visual arts for members and the public across Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

The Society follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Membership fee are recognized as revenue on a straight line basis over the year. Classes and workshops are short term and are recognized as revenue upon completion of the course.

(b) Investments

Investments which consists of guaranteed investment certificates are valued at the lower of cost and market value.

(c) Works of Art

The value of the works of art have been excluded from the statement of financial position except for a nominal value of \$3,000. Gifted works of art are recorded as revenue at values based on appraisals by independent appraisers or senior management. Accession of art for collection and resale, both gifted and purchased, is expensed.

(d) Capital Assets

Purchased capital assets are carried at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized as follows:

Computer hardware	30 % declining balance
Computer software	100 % declining balance
Furniture and fixtures	20 % declining balance
Leasehold improvement	20 % straight-line

(e) Contributed Services

Volunteers contribute to assist the Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

(f) Financial Instruments

The Society's financial instruments consist of cash, investments, accounts receivable, accounts payable and deferred contributions. These financial instruments are accounted for as follows:

Available-for-sale

The Society has designated the following financial assets on initial recognition as available-for-sale: cash, and investments. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are recognized at their fair value. Unrealized gains or losses from changes in fair value are recognized as other comprehensive income.

Loans and receivables

The Society has classified the receivables as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given the short term nature of this item, its carrying value approximates the fair value.

Other financial liabilities

The Society has classified the following financial liabilities as other financial liabilities: payables and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. Given their short-term nature, the carrying value of payables and accruals approximate their fair value.

(g) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

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(h) New Accounting Pronouncements

There have been recent pronouncements that have been issued, but are not yet effective, that may impact the Society.

(1) Financial Reporting

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Society is classified as a Not-for-Profit Organization and currently is not required to adopt IFRS. The Society will be required to prepare their financial statements in accordance with IFRS or Accounting Standards for Not-for-Profit Organizations for fiscal years beginning on or after January 1, 2012. The Society is currently reviewing the choices and the potential impact of these standards on the Society's financial statements.

3. WORKS OF ART

As at December 31, 2011, the collection consisted of approximately 532 (2010 - 535) works of art. There was three (2010 - three) works of art from the bequest of the Estate of Stafford Plant sold during the year for net proceeds totalling \$2,775. As at December 31, 2011, the fair market value of the total collection is approximately \$486,000 (2010 - \$489,000).

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2011	Net 2010
Computer hardware	\$ 25,310	\$ 21,544	\$ 3,766	\$ 4,255
Computer software	621	621	-	311
Furniture and fixtures	45,046	40,441	4,605	5,757
Leasehold improvement	12,257	7,353	4,904	7,355
	83,234	69,959	13,275	\$ 17,678

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5. DEFERRED REVENUE

Deferred revenue consist of the following:

	2011	2010
Deferred membership dues	\$ 62,410	\$ 73,330
Deferred class fees	3,636	8,413
Deferred workshop fees	21,396	8,014
Deferred other	3,950	100
	\$ 91,392	\$ 89,857

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions will be amortized at the rate corresponding with the amortization rate of the related capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2011	2010
Balance, beginning of year	\$ 3,262	\$ 4,349
Amortization of deferred contributions	(1,088)	(1,087)
Balance, end of year	\$ 2,174	\$ 3,262

7. CHAPTERS

The Society's financial statements do not include the financial activities of the Society's eleven individual Chapters operating in various cities across the country. Although the Society, by agreement, dictates some Chapter policies and from time to time provides guidance on a variety of issues, it does not participate in their day-to-day activities.

These Chapters operate under the same name as the Society. No contributions are received by the Society from the Chapters. The Chapters are operated as service organizations and are not registered as charities under the Income Tax Act.

The Society contributes \$100 to their start up but otherwise has no financial interaction with these Chapters.

Because of the large number of Chapters, the cost involved, the fact that consolidated financial statements would provide only minimal additional useful information, and the fact that the Chapters' financial statements are not normally available on a timely basis, management has decided not to prepare consolidated financial statements.

FEDERATION OF CANADIAN ARTISTS

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8. COMMITMENT

During the year the Society exercised their option to renew their premise lease expiring on January 31, 2011 for a further two years to expire January 31, 2013. Various other equipment leases are expiring in the year 2016. The minimum annual payments are as follows:

2012	\$	15,335
2013		4,264
2014		3,251
2015		3,251
2016		2,159
		<hr/>
		\$ 28,260

9. CAPITAL DISCLOSURES

The Society considers its capital to be the balance retained in net assets. These amounts are generally the difference between its assets and its liabilities as reported on its statement of financial position.

The Society's objectives when managing capital are to safeguard its ability to fund its operations and capital assets additions, so that it can continue to provide services to its members. Management maintains its capital by ensuring that annual operating budgets are developed based on known or estimated sources of funding available each year. These budgets are monitored to ensure that the capital of the Society is maintained.

The Society is not subject to debt covenants or any other capital requirements with respect to operating funds.