

FEDERATION OF CANADIAN ARTISTS
FINANCIAL STATEMENTS
(Unaudited)
DECEMBER 31, 2012

FEDERATION OF CANADIAN ARTISTS

DECEMBER 31, 2012

CONTENTS

	Page
REVIEW ENGAGEMENT REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position (Unaudited)	4
Statement of Operations and Net Assets(Unaudited)	5
Cash Flow Statement (Unaudited)	6
Notes to the Financial Statements (Unaudited)	7 - 12

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF FINANCIAL POSITION (Unaudited)

AS AT DECEMBER 31, 2012

	2012	2011	JANUARY 1 2011
ASSETS			
CURRENT			
Cash	\$ 68,210	\$ 60,892	\$ 106,626
Investments (Note 4)	51,450	116,057	96,975
Accounts receivable (Note 5)	2,032	4,720	1,743
Silver award pins	1,260	1,470	1,680
Prepaid expenses	2,432	5,965	2,789
	125,384	189,104	209,813
WORKS OF ART (Note 6)	3,000	3,000	3,000
CAPITAL ASSETS (Note 7)	11,497	13,275	17,678
	\$ 139,881	\$ 205,379	\$ 230,491

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Note 8)	\$ 13,693	\$ 33,049	\$ 26,982
Deferred revenue (Note 9)	53,377	91,392	89,857
	67,070	124,441	116,839
DEFERRED CONTRIBUTIONS (Note 10)	1,087	2,174	3,262
	68,157	126,615	120,101

NET ASSETS

NET ASSETS	71,724	78,764	110,390
	\$ 139,881	\$ 205,379	\$ 230,491

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF OPERATIONS AND NET ASSETS (Unaudited)

YEAR ENDED DECEMBER 31, 2012

	2012	2011
REVENUES		
Membership fees	\$ 125,755	\$ 125,845
Classes and workshops	105,477	124,527
Gallery sales and exhibition fees	101,107	84,785
B.C. Gaming	-	4,984
Donations and fundraising	6,582	21,669
International Juried Exhibitions	23,310	25,565
Paintings, by Numbers event	143,319	164,616
Magazine	3,407	3,371
Miscellaneous	7,096	6,425
Amortization of deferred contribution	1,087	1,087
Rental shows	6,406	6,365
	<hr/>	<hr/>
	523,546	569,239
EXPENSES		
Amortization	5,292	5,329
Artists' share of sale of paintings	43,180	30,363
Classes and workshops	68,930	109,442
Contract services	1,560	1,460
Fundraising	-	12,293
Gallery operations	11,325	10,584
Magazine and postage	30,474	41,540
Office and administration	40,129	40,855
Paintings, by Numbers event	117,211	139,180
International Juried Exhibitions	15,640	15,864
Premises	26,818	23,506
Professional fees	16,737	22,253
Salaries and benefits	153,290	148,196
	<hr/>	<hr/>
	530,586	600,865
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(7,040)	(31,626)
NET ASSETS, beginning of year	78,764	110,390
NET ASSETS, end of year	<hr/> \$ 71,724	<hr/> \$ 78,764

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

CASH FLOW STATEMENT (Unaudited)

YEAR ENDED DECEMBER 31, 2012

	2012	2011
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenue over Expenses for the year	\$ (7,040)	\$ (31,626)
Charges to Revenue over Expenses not affecting cash flow:		
Amortization	5,292	5,329
Amortization of deferred contributions	(1,087)	(1,087)
	(2,835)	(27,384)
Changes in non-cash working capital:		
Accounts receivable	2,688	(2,977)
Silver award pins	210	210
Prepaid expenses	3,533	(3,176)
Accounts payable and accrued liabilities	(19,356)	6,067
Deferred revenue	(38,015)	1,535
	(53,775)	(25,725)
INVESTING ACTIVITIES		
Purchase of capital assets	(3,513)	(926)
Purchase of investments	(51,450)	(65,519)
Proceeds on sale of investments	116,056	46,436
	61,093	(20,009)
NET INCREASE (DECREASE) IN CASH	7,318	(45,734)
CASH, beginning of year	60,892	106,626
CASH, end of year	\$ 68,210	\$ 60,892

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

DECEMBER 31, 2012

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

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following 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. All other revenue is recognized when the services are provided or when the goods are delivered.

(c) Cash

Cash consists of balances with banks less cheques issued and outstanding.

(b) Investments

Investments which consists of guaranteed investment certificates are valued at 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.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

DECEMBER 31, 2012

(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.

(f) Financial Instruments

(1) Measurement of Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

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

Financial liabilities measured at amortized cost include accounts payable.

(2) Impairment

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 operations. 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 operations.

(3) Transaction Costs

The Society recognizes its transaction costs in the statement of operations in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2012

(g) Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These financial statements are the first financial statements for which the Society applied Canadian accounting standards for not-for-profit organizations. First-time adoption of this new basis of accounting had no impact on the Society's excess (deficiency) of revenue over expenses for the year ended December 31, 2011 or on net assets as at January 1, 2011, the date of transition.

4. INVESTMENTS

The guaranteed investment certificates held at the bank are cashable at any time without penalty. Investments consist of the following:

	Maturity	Interest Rate	2012	2011
Guaranteed Investment Certificate	February 2013	0.95%	\$ 51,450	\$ -
Guaranteed Investment Certificate	April 2012	0.95%	-	65,090
Guaranteed Investment Certificate	February 2012	0.95%	-	50,967
			\$ 51,450	\$ 116,057

5. ACCOUNTS RECEIVABLE

	2012	2011
Trade receivables	\$ -	\$ 3,908
Government remittances	1,636	-
Other	396	812
	\$ 2,032	\$ 4,720

6. WORKS OF ART

As at December 31, 2012, the collection consisted of approximately 527 (2011 - 532) works of art. There was four (2011 - three) works of art from the bequest of the Estate of Stafford Plant sold during the year for net proceeds totalling \$1,500. In addition, one (2011 - none) work of art from the bequest of the Estate of Stafford Plant which was used in an auction. As at December 31, 2012, the fair market value of the total collection is approximately \$482,000 (2011 - \$486,000).

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2012

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2012	Net 2011
Computer hardware	\$ 26,124	\$ 22,796	\$ 3,328	\$ 3,766
Computer software	1,388	1,004	384	-
Furniture and fixtures	46,078	41,466	4,612	4,605
Leasehold improvement	13,157	9,984	3,173	4,904
	86,747	75,250	11,497	\$ 13,275

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade payables	\$ 7,036	\$ 15,743
Government remittances	2,250	12,484
Other	4,407	4,822
	\$ 13,693	\$ 33,049

9. DEFERRED REVENUE

Deferred revenue consist of the following:

	2012	2011
Deferred membership dues	\$ 47,991	\$ 62,410
Deferred class fees	-	3,636
Deferred workshop fees	5,286	21,396
Deferred other	100	3,950
	\$ 53,377	\$ 91,392

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2012

10. 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.

	2012	2011
Balance, beginning of year	\$ 2,174	\$ 3,262
Amortization of deferred contributions	(1,087)	(1,088)
Balance, end of year	\$ 1,087	\$ 2,174

11. 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.

12. COMMITMENT

The Society's premises lease agreement expires on January 31, 2013. Various other equipment leases are expiring in the year 2016. The minimum annual payments are as follows:

2013	\$ 4,264
2014	3,251
2015	3,251
2016	2,159
	<hr/>
	\$ 12,925

Subsequent to the year end, the Society has entered into a new premises lease agreement expiring January 31, 2016 with a two year option to renew.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2012

13. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Society risk exposure at the balance sheet date.

- (a) Liquidity risk: Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society controls liquidity risk by management of working capital and cashflows.
- (b) 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. Financial instruments that potentially subject the Society to concentrations of credit risks consists principally of cash. To minimize the credit risk to the the Society places these instruments with a high credit quality financial institution.
- (c) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is not exposed to any significant interest rate risk.

14. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.