

FEDERATION OF CANADIAN ARTISTS
FINANCIAL STATEMENTS
(Unaudited)
DECEMBER 31, 2013

FEDERATION OF CANADIAN ARTISTS

DECEMBER 31, 2013

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REVIEW ENGAGEMENT REPORT

To the Members of
Federation of Canadian Artists

I have reviewed the statement of financial position of Federation of Canadian Artists as at December 31, 2013 and the statements of operations and net assets and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Society.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations

Burnaby, B.C.
October 29, 2014



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

(Unaudited)

AS AT DECEMBER 31, 2013

| | 2013 | 2012 |
|--|------------|------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 94,672 | \$ 68,210 |
| Investments | - | 51,450 |
| Accounts receivable | 5,345 | 2,032 |
| Silver award pins | 1,050 | 1,260 |
| Prepaid expenses | 432 | 2,432 |
| | 101,499 | 125,384 |
| WORKS OF ART (Note 4) | 3,000 | 3,000 |
| CAPITAL ASSETS (Note 5) | 6,560 | 11,497 |
| | \$ 111,059 | \$ 139,881 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 25,226 | \$ 13,693 |
| Deferred revenue (Note 7) | 55,518 | 53,377 |
| | 80,744 | 67,070 |
| DEFERRED CONTRIBUTIONS (Note 8) | - | 1,087 |
| | 80,744 | 68,157 |
| NET ASSETS | | |
| NET ASSETS | 30,315 | 71,724 |
| | \$ 111,059 | \$ 139,881 |

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF OPERATIONS AND NET ASSETS (Unaudited)

YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 |
|---|------------------|------------------|
| REVENUES | | |
| Membership fees | \$ 115,966 | \$ 125,755 |
| Classes and workshops | 65,136 | 105,477 |
| Gallery sales and exhibition fees | 106,542 | 101,107 |
| Government grants | 8,497 | - |
| Donations and fundraising | 17,376 | 6,582 |
| International Juried Exhibitions | 23,385 | 23,310 |
| Paintings, by Numbers event | 143,815 | 143,319 |
| Magazine | 3,153 | 3,407 |
| Miscellaneous | 11,401 | 7,096 |
| Amortization of deferred contribution | 1,087 | 1,087 |
| Rental shows | 8,315 | 6,406 |
| | 504,673 | 523,546 |
| EXPENSES | | |
| Amortization | 4,936 | 5,292 |
| Artists' share of sale of paintings | 47,051 | 43,180 |
| Classes and workshops | 55,598 | 68,930 |
| Gallery operations | 14,379 | 9,542 |
| Magazine and postage | 37,412 | 30,474 |
| Office and administration | 44,691 | 41,689 |
| Paintings, by Numbers event | 123,643 | 117,211 |
| International Juried Exhibitions | 12,168 | 15,640 |
| Premises | 41,091 | 28,601 |
| Professional fees | 15,063 | 16,737 |
| Salaries and benefits | 150,050 | 153,290 |
| | 546,082 | 530,586 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | (41,409) | (7,040) |
| NET ASSETS, beginning of year | 71,724 | 78,764 |
| NET ASSETS, end of year | \$ 30,315 | \$ 71,724 |

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

CASH FLOW STATEMENT (Unaudited)

YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 |
|---|-------------|------------|
| CASH FLOWS FROM: | | |
| OPERATING ACTIVITIES | | |
| Excess (Deficiency) of Revenue over Expenses for the year | \$ (41,409) | \$ (7,040) |
| Charges to Revenue over Expenses not affecting cash flow: | | |
| Amortization | 4,936 | 5,292 |
| Amortization of deferred contributions | (1,087) | (1,087) |
| | (37,560) | (2,835) |
| Changes in non-cash working capital: | | |
| Accounts receivable | (3,313) | 2,688 |
| Silver award pins | 210 | 210 |
| Prepaid expenses | 2,000 | 3,533 |
| Accounts payable and accrued liabilities | 11,533 | (19,356) |
| Deferred revenue | 2,141 | (38,015) |
| | (24,989) | (53,775) |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | - | (3,513) |
| Purchase of investments | - | (51,450) |
| Proceeds on sale of investments | 51,451 | 116,056 |
| | 51,451 | 61,093 |
| NET INCREASE IN CASH AND EQUIVALENTS | 26,462 | 7,318 |
| CASH AND EQUIVALENTS, beginning of year | 68,210 | 60,892 |
| CASH AND EQUIVALENTS, end of year | \$ 94,672 | \$ 68,210 |

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2013

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, 2013

(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, 2013

(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. ACCOUNTS RECEIVABLE

| | 2013 | 2012 |
|------------------------|-----------------|-----------------|
| Government remittances | 828 | 1,636 |
| Other | 4,517 | 396 |
| | \$ 5,345 | \$ 2,032 |

4. WORKS OF ART

As at December 31, 2013, the collection consisted of approximately 518 (2012 - 527) works of art. There was nine (2012 - four) works of art from the bequest of the Estate of Stafford Plant sold during the year for net proceeds totalling \$3,625 (2012 - \$2,775). As at December 31, 2013, the fair market value of the total collection is approximately \$477,000 (2012 - \$482,000).

5. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net 2013 | Net 2012 |
|------------------------|---------------|-------------------------------------|---------------------|---------------------|
| Computer hardware | \$ 26,124 | \$ 23,794 | \$ 2,330 | \$ 3,328 |
| Computer software | 1,388 | 1,388 | - | 384 |
| Furniture and fixtures | 46,078 | 42,388 | 3,690 | 4,612 |
| Leasehold improvement | 13,157 | 12,617 | 540 | 3,173 |
| | 86,747 | 80,187 | 6,560 | \$ 11,497 |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2013 | 2012 |
|------------------------|------------------|------------------|
| Trade payables | \$ 16,415 | \$ 7,036 |
| Government remittances | 4,032 | 2,250 |
| Other | 4,779 | 4,407 |
| | \$ 25,226 | \$ 13,693 |

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2013

7. DEFERRED REVENUE

Deferred revenue consist of the following:

| | 2013 | 2012 |
|---------------------------|-----------|-----------|
| Deferred membership dues | \$ 46,253 | \$ 47,991 |
| Deferred workshop fees | 650 | 5,286 |
| Deferred other | - | 100 |
| Deferred BC Gaming grants | 8,615 | - |
| | \$ 55,518 | \$ 53,377 |

8. 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.

| | 2013 | 2012 |
|--|----------|----------|
| Balance, beginning of year | \$ 1,087 | \$ 2,174 |
| Amortization of deferred contributions | (1,087) | (1,087) |
| Balance, end of year | \$ - | \$ 1,087 |

9. 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

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2013

10. COMMITMENT

During the year the Society entered into a new premise lease expiring on January 31, 2016. Various other equipment leases are expiring in the year 2016. The minimum annual payments are as follows:

| | | |
|------|----|-----------|
| 2014 | \$ | 15,510 |
| 2015 | | 15,510 |
| 2016 | | 14,887 |
| 2017 | | 13,097 |
| 2018 | | 1,091 |
| | | <hr/> |
| | | \$ 60,095 |

11. 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's risk exposure at the balance sheet date.

- (a) Liquidity risk: Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.
- (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. The Society's main credit risks relate to its accounts receivable. The Society provides credit to its members in the normal course of its operations.
- (c) Market risk: Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The enterprise is mainly exposed to interest rate risks.
- (d) 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 exposed to interest rate risk as a result of investment in guaranteed investment certificates.

12. COMPARATIVE FIGURES

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