

**FEDERATION OF CANADIAN ARTISTS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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# FEDERATION OF CANADIAN ARTISTS

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DECEMBER 31, 2008

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**AUDITOR'S REPORT**

To the Members of the  
**Federation of Canadian Artists**

I have audited the statement of financial position of the **Federation of Canadian Artists** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2008 and the results of operations and cash flows of the Society for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the Societies Act of the Province of British Columbia, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year except in regard to the change in accounting policy described in Note 2 to the financial statements.

Burnaby, B.C.  
March 27, 2009

*Catherine Der*

CHARTERED ACCOUNTANT

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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.

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# FEDERATION OF CANADIAN ARTISTS

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## STATEMENT OF FINANCIAL POSITION

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AS AT DECEMBER 31, 2008

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	2008	2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 49,278	\$ 87,845
Short term investments	142,500	52,423
Accounts receivable	1,911	2,526
Silver award pins	2,100	2,310
Prepaid expenses	10,099	7,574
	205,888	152,678
<b>WORKS OF ART</b> (Note 4)	3,000	3,000
<b>CAPITAL ASSETS</b> (Note 5)	15,035	13,309
	\$ 223,923	\$ 168,987
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 27,149	\$ 25,460
Deferred revenue (Note 6)	120,260	112,338
	147,409	137,798
<b>DEFERRED CONTRIBUTIONS</b> (Note 7)	1,800	3,600
	149,209	141,398
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b> (Note 8)	13,235	9,709
<b>NET ASSETS</b>	61,479	17,880
	74,714	27,589
	\$ 223,923	\$ 168,987

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APPROVED BY THE DIRECTORS:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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See accompanying notes

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# FEDERATION OF CANADIAN ARTISTS

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## STATEMENT OF CHANGES IN NET ASSETS

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YEAR ENDED DECEMBER 31, 2008

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	Invested in Capital Assets	Unrestricted	2008	2007
<b>NET ASSETS (DEFICIT),</b> beginning of year	\$ 9,709	\$ 17,880	\$ 27,589	\$ (1,461)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(2,686)	49,811	47,125	29,050
<b>INVESTED IN CAPITAL ASSETS</b>	6,212	(6,212)	-	-
<b>NET ASSETS (DEFICIT), end of year</b>	\$ 13,235	\$ 61,479	\$ 74,714	\$ 27,589

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See accompanying notes

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# FEDERATION OF CANADIAN ARTISTS

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## STATEMENT OF OPERATIONS

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YEAR ENDED DECEMBER 31, 2008

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	2008	2007
<b>REVENUES</b>		
Membership fees	\$ 128,960	\$ 131,974
Classes and workshops	103,328	94,183
Gallery sales and exhibition fees	120,530	108,770
B.C. Gaming	34,766	15,289
Donations and fundraising	13,534	17,376
Painting on the Edge event	16,707	13,069
Painting by Numbers event, net (Note 10)	19,347	21,915
Magazine	8,604	7,581
Miscellaneous	13,040	8,429
Amortization of deferred contribution	1,800	1,800
Rental shows	4,343	1,350
Gifted works of art	-	171,180
	<hr/> 464,959	<hr/> 592,916
<b>EXPENSES</b>		
Amortization	4,486	6,510
Artists' share of sale of paintings	64,992	53,472
Classes and workshops	63,561	60,512
Contract services	8,451	4,921
Gallery operations	25,648	27,643
Gifted accession of art	-	171,180
Magazine and postage	46,482	50,575
Office and administration	42,302	41,205
Painting on the Edge event	13,493	10,453
Premises	20,837	18,157
Professional fees	13,435	11,204
Salaries and benefits	114,147	108,034
	<hr/> 417,834	<hr/> 563,866
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<hr/> 47,125	<hr/> 29,050

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See accompanying notes

# FEDERATION OF CANADIAN ARTISTS

## CASH FLOW STATEMENT

YEAR ENDED DECEMBER 31, 2008

	2008	2007
<b>CASH FLOWS FROM:</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of Revenue over Expenses for the year	\$ 47,125	\$ 29,050
Charges to Revenue over Expenses not affecting cash flow:		
Amortization	4,486	6,510
Amortization of deferred contributions	(1,800)	(1,800)
	49,811	33,760
Changes in non-cash working capital:		
Accounts receivable	615	(383)
Silver award pins	210	210
Prepaid expenses	(2,525)	(6,991)
Accounts payable and accrued liabilities	1,689	4,493
Deferred revenue	7,922	21,245
	57,722	52,334
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(6,212)	(2,215)
Purchase of investments	(90,077)	(6,480)
Increase in investments	-	(1,431)
	(96,289)	(10,126)
<b>NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<b>(38,567)</b>	<b>42,208</b>
<b>CASH AND EQUIVALENTS, beginning of year</b>	<b>87,845</b>	<b>45,637</b>
<b>CASH AND EQUIVALENTS, end of year</b>	<b>\$ 49,278</b>	<b>\$ 87,845</b>

See accompanying notes

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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DECEMBER 31, 2008

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### 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. CHANGE IN ACCOUNTING POLICIES

The CICA has issued several new accounting standards. Section 1400 General Standards of Financial Statement Presentation, Section 3855 Financial Instruments - Recognition and Measurement, Section 3861 Financial Instruments Disclosures and Presentation and Section 3861 Hedges. These standards became effective January 1, 2008.

CICA Section 1400 General Standards of Financial Statement Presentation was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard did not have an impact on the Society's financial statements.

CICA Section 3855 Financial Instruments - Recognition and Measurement establishes standards for recognition and measuring financial assets, financial liabilities and derivatives. CICA Section 3861 Financial Instruments Disclosures and Presentation and CICA Section 3865 Hedges discuss the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Amendments to CICA Section 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The Society does not have any transactions which qualify for hedge accounting.

Transactions entered in to prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, the Society now classifies and recognizes its financial assets and liabilities as described in the Summary of Significant Accounting Policies. Upon adoption, the Society remeasured its available for sale financial assets at their fair value, and its loans and receivables and other financial liabilities at their amortized cost. These changes had no significant impact to these financial statements.



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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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DECEMBER 31, 2008

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### 3. 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.

(b) Short Term Investments

Short term investments 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.

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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DECEMBER 31, 2008

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(f) Financial Instruments

The Society's financial instruments consist of cash, short term investments, accounts payable and deferred revenue. In the prior year these investments were recorded at cost. In the current year they 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 short term 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's 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

DECEMBER 31, 2008

(h) New Accounting Pronouncements

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

(1) Capital Disclosures

In December 2006, the CICA issued the new CICA Section 1535 - Capital Disclosures which establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard will be effective for the Society for the fiscal year beginning January 1, 2009. Management is currently reviewing the potential impact of this section on the Society's disclosure.

#### 4. WORKS OF ART

As at December 31, 2008, the collection consisted of approximately 556 (2007 - 565) works of art. There was eight (2007 - one) works of art from the bequest of the Estate of Stafford Plant sold during the year for net proceeds totalling \$4,825 after commissions paid of \$588. In addition, no (2007 - one) work of art from the bequest of the Estate of Stafford Plant which was used in the painting by numbers event. As at December 31, 2008, the fair market value of the total collection is approximately \$512,000 (2007 - \$520,000).

#### 5. CAPITAL ASSETS

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2008</b>	<b>Net 2007</b>
Computer hardware	\$ 23,449	\$ 17,292	\$ 6,157	\$ 3,071
Computer software	1,209	1,209	-	605
Furniture and fixtures	44,887	36,009	8,878	9,413
Leasehold improvement	37,483	37,483	-	220
	107,028	91,993	15,035	\$ 13,309

# FEDERATION OF CANADIAN ARTISTS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

### 6. DEFERRED REVENUE

Deferred revenue consist of the following:

	2008	2007
Deferred membership dues	\$ 67,035	\$ 65,945
Deferred class fees	7,546	8,699
Deferred workshop fees	37,913	26,012
Deferred other	100	250
Deferred BC Gaming grants	2,666	11,432
Deferred City of Vancouver grant	5,000	-
	<u>\$ 120,260</u>	<u>\$ 112,338</u>

### 7. 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.

	2008	2007
Balance, beginning of year	\$ 3,600	\$ 5,400
Amortization of deferred contributions	(1,800)	(1,800)
Balance, end of year	<u>\$ 1,800</u>	<u>\$ 3,600</u>

### 8. INVESTED IN CAPITAL ASSETS

	2008	2007
Balance, beginning of year	\$ 9,709	\$ 12,204
Acquisition of capital assets	6,212	2,215
Amortization	(4,486)	(6,510)
Amount financed by deferred contribution	1,800	1,800
Balance, end of year	<u>\$ 13,235</u>	<u>\$ 9,709</u>

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

### 10. PAINTING BY NUMBERS EVENT

During the current year, the Society held an art event which raised funds for general operations. The Statement of Operations include net revenue from this event of \$19,347 (2007 - \$21,915). Gross revenue related to this event was \$138,391 (2007 - \$130,785) and gross expenses related to this event was \$119,044 (2007 - \$108,870).

### 11. COMMITMENT

The Society has entered into a premises lease agreement expiring on January 31, 2011 and various other equipment leases expiring in the years 2010 and 2011. The minimum annual payments are as follows:

2009	\$	17,644
2010		19,960
2011		2,356
		<hr/>
	\$	39,960

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