

AUDITORS' REPORT

To the Members of the Federation of Canadian Artists:

We have audited the statement of financial position of the Federation of Canadian Artists as at December 31, 2004 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the previous year.



CHARTERED ACCOUNTANTS

Vancouver, British Columbia
February 17, 2005

FEDERATION OF CANADIAN ARTISTS
Statement of Operations
For the year ended December 31, 2004

	2004	2003
REVENUES		
Membership fees	\$ 117,980	\$ 110,600
Seminars and foundation courses	99,644	67,350
Gallery sales and exhibition fees	79,593	104,826
B.C. Gaming	18,712	29,903
Painting on the Edge event	16,487	13,384
Painting by Numbers event, net (Note 9)	16,176	16,834
Donations and fundraising	13,915	14,735
Magazine	9,630	9,827
Miscellaneous	5,676	9,405
Rental shows	2,406	2,337
	380,219	379,201
EXPENSES		
Amortization	6,133	5,718
Artists' share of sale of paintings	39,779	43,547
Commission	-	7,020
Contract services	3,508	3,304
Gallery operations	23,226	23,528
Magazine and postage	49,003	48,326
Office and administration	38,187	28,604
Painting on the Edge event	11,631	13,300
Premises	16,346	15,998
Professional fees	8,713	6,950
Salaries and benefits	117,795	109,803
Seminars and foundation courses	76,340	45,287
	390,661	351,385
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER EXPENSE	(10,442)	27,816
Loss on disposal of capital assets	-	(1,418)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (10,442)	\$ 26,398

The accompanying Notes are an integral part of these financial statements.

FEDERATION OF CANADIAN ARTISTS
Statement of Changes in Net Assets
For the year ended December 31, 2004

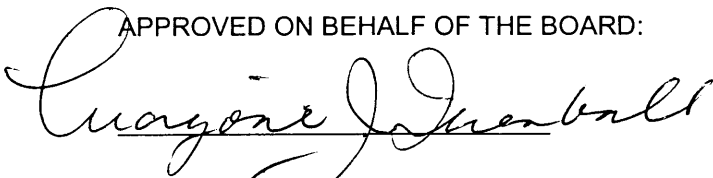
	Invested in Capital Assets	Unrestricted	2004	2003
NET ASSETS, beginning of year	\$ 17,410	\$ 12,467	\$ 29,877	\$ 3,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(6,133)	(4,309)	(10,442)	26,398
INVESTED IN CAPITAL ASSETS	5,473	(5,473)	-	-
NET ASSETS, end of year	\$ 16,750	\$ 2,685	\$ 19,435	\$ 29,877

The accompanying Notes are an integral part of these financial statements.

FEDERATION OF CANADIAN ARTISTS
Statement of Financial Position
December 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	\$ 91,286	\$ 99,060
Temporary investments	24,480	-
Accounts receivable	-	34
Goods and Services Tax recoverable	254	-
Silver Award Pins	2,940	3,150
Prepaid expenses	7,179	7,464
	126,139	109,708
INVESTMENT	-	12,238
WORKS OF ART (Note 3)	3,000	3,000
CAPITAL ASSETS (Note 4)	25,750	17,410
	\$ 154,889	\$ 142,356
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,620	\$ 12,155
Payroll deductions payable	2,042	2,437
Provincial Sales Tax payable	707	1,013
Goods and Services Tax payable	-	1,016
Deferred revenues (Note 5)	112,085	95,858
	126,454	112,479
DEFERRED CONTRIBUTIONS (Note 6)	9,000	-
	135,454	112,479
NET ASSETS		
Invested in capital assets (Note 7)	16,750	17,410
Unrestricted	2,685	12,467
	19,435	29,877
	\$ 154,889	\$ 142,356

APPROVED ON BEHALF OF THE BOARD:





The accompanying Notes are an integral part of these financial statements.

FEDERATION OF CANADIAN ARTISTS
Statement of Cash Flows
For the year ended December 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues over Expenses	\$ (10,442)	\$ 26,398
Adjustments:		
Amortization	6,133	5,718
Loss on disposal of capital assets	-	1,418
	(4,309)	33,534
Non-cash working capital items affecting operations:		
Accounts receivable	34	(34)
Goods and Services Tax recoverable	(254)	-
Silver Award Pins	210	210
Prepaid expenses	285	363
Accounts payable and accrued liabilities	(535)	(2,214)
Payroll deductions payable	(395)	613
Provincial Sales Tax payable	(306)	(768)
Goods and Services Tax payable	(1,016)	949
Deferred revenues	16,227	29,210
Deferred contributions	9,000	-
	18,941	61,863
INVESTING ACTIVITIES		
Acquisition of capital assets	(14,473)	(10,720)
Acquisition of investment	(12,000)	(12,000)
Increase in investments	(242)	(238)
	(26,715)	(22,958)
INCREASE (DECREASE) IN CASH	(7,774)	38,905
CASH, beginning of year	99,060	60,155
CASH, end of year	\$ 91,286	\$ 99,060

The accompanying Notes are an integral part of these financial statements.

FEDERATION OF CANADIAN ARTISTS**Notes to Financial Statements****December 31, 2004****1. GENERAL**

Federation of Canadian Artists (the "Society") is a not-for-profit organization incorporated under the British Columbia Society 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

Revenue Recognition

The Society follows the deferral method of accounting for 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 to be received can be reasonably estimated and collection is reasonably assured.

Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

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.

Capital Assets and Amortization

Purchased capital assets are carried at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is calculated using the declining balance method, except for amortization of leasehold improvements which is calculated using the straight-line method. Amortization is calculated at the following annual rates:

Leasehold improvement	20%
Furniture and equipment	20%
Computer hardware	30%

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 the financial statements.

Income Taxes

Income taxes are not reflected in the financial statements as the Society is a not-for-profit organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the Society are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. WORKS OF ART

As at December 31, 2004, the collection consisted of approximately 350 (2003 - 350) works of art. During the current year, the Society received one work of art for the permanent collection. There were no (2003 - 9) works of art from the bequest of the Estate of Stafford Plant sold during the year. In addition, there was one (2003 - 2) work of art from the bequest of the Estate of Stafford Plant which was used as a raffle prize. As at December 31, 2004, the estimated fair market value of the total collection is \$370,000 (2003 - \$370,905).

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2004 Net	2003 Net
Leasehold improvement	\$ 36,933	\$ 32,620	\$ 4,313	\$ 6,529
Furniture and equipment	31,424	23,512	7,912	7,890
Computer hardware	15,779	11,254	4,525	2,991
Fixture under construction	9,000	-	9,000	-
	\$ 93,136	\$ 67,386	\$ 25,750	\$ 17,410

FEDERATION OF CANADIAN ARTISTS
Notes to Financial Statements
December 31, 2004

5. DEFERRED REVENUES

	2004	2003
Deferred membership dues	\$ 79,768	\$ 64,743
Deferred course fees	17,114	14,671
Deferred workshop proceeds	14,103	15,182
Deferred other	1,100	1,262
	\$ 112,085	\$ 95,858

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. No amortization was taken in 2004 as the capital asset is under construction.

7. INVESTED IN CAPITAL ASSETS

	2004	2003
Balance, beginning of year	\$ 17,410	\$ 13,826
Acquisition of capital assets	14,473	10,720
Amortization	(6,133)	(5,718)
Amount financed by deferred contributions	(9,000)	-
Loss on disposal of capital assets	-	(1,418)
Balance, end of year	\$ 16,750	\$ 17,410

FEDERATION OF CANADIAN ARTISTS
Notes to Financial Statements
December 31, 2004

8. 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 unincorporated 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.

9. 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 \$16,176 (2003 - \$16,834). Gross revenue related to this event was \$99,015 (2003 - \$95,655) and gross expenses related to this event was \$82,839 (2003 - \$78,821).

10. LEASE COMMITMENT

The Society's premises are rented under a lease agreement expiring on January 31, 2008. The total rental to that date is \$26,718 plus its proportionate share of property taxes and operating costs. The Society is also under obligation for various equipment leases.

Future minimum lease payments for the next four years are as follows:

2005	\$	10,060
2006		10,200
2007		9,455
2008		<u>725</u>
	\$	<u>30,440</u>