

**FEDERATION OF CANADIAN ARTISTS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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# FEDERATION OF CANADIAN ARTISTS

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DECEMBER 31, 2005

## CONTENTS

	<b>Page</b>
<b>AUDITOR'S REPORT</b>	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Cash Flow Statement	7
Notes to the Financial Statements	8 - 11

## 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, 2005 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, 2005 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.

Burnaby, B.C.  
March 2, 2006

*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, 2005

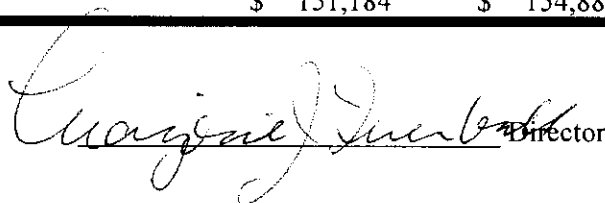
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	2005	2004
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 83,814	\$ 91,286
Temporary investments	37,457	24,480
Goods and services tax recoverable	-	254
Silver award pins	2,730	2,940
Prepaid expenses	2,025	7,179
	126,026	126,139
<b>WORKS OF ART (Note 3)</b>	3,000	3,000
<b>CAPITAL ASSETS (Note 4)</b>	22,158	25,750
	\$ 151,184	\$ 154,889
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 9,465	\$ 14,369
Deferred revenue (Note 5)	117,768	112,085
	127,233	126,454
<b>DEFERRED CONTRIBUTIONS (Note 6)</b>	7,200	9,000
	134,433	135,454
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS (Note 7)</b>	14,958	16,750
<b>NET ASSETS</b>	1,793	2,685
	16,751	19,435
	\$ 151,184	\$ 154,889

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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, 2005

	Invested in Capital Assets	Unrestricted	2005	2004
NET ASSETS, beginning of year	\$ 16,750	\$ 2,685	\$ 19,435	\$ 29,877
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(5,278)	2,594	(2,684)	(10,442)
INVESTED IN CAPITAL ASSETS	3,486	(3,486)	-	-
NET ASSETS, end of year	\$ 14,958	\$ 1,793	\$ 16,751	\$ 19,435

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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, 2005

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	2005	2004
<b>REVENUES</b>		
Membership fees	\$ 121,710	\$ 117,980
Classes and workshops	104,456	99,644
Gallery sales and exhibition fees	81,121	79,593
B.C. Gaming	27,265	18,712
Donations and fundraising	24,396	13,915
Painting on the Edge event	17,536	16,487
Painting by Numbers event, net (Note 9)	12,374	16,176
Magazine	8,780	9,630
Miscellaneous	6,666	5,676
Amortization of deferred contribution	1,800	-
Rental shows	1,500	2,406
	<hr/>	<hr/>
	407,604	380,219
<b>EXPENSES</b>		
Amortization	7,078	6,133
Artists' share of sale of paintings	40,225	39,779
ArtFusion Calgary event	9,169	-
Classes and workshops	71,554	76,340
Contract services	4,637	3,508
Gallery operations	26,226	23,226
Magazine and postage	50,926	49,003
Office and administration	32,901	38,187
Painting on the Edge event	11,755	11,631
Premises	16,932	16,346
Professional fees	8,713	8,713
Salaries and benefits	130,172	117,795
	<hr/>	<hr/>
	410,288	390,661
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(2,684)</b>	<b>(10,442)</b>

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See accompanying notes

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# FEDERATION OF CANADIAN ARTISTS

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## CASH FLOW STATEMENT

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YEAR ENDED DECEMBER 31, 2005

	2005	2004
<b>CASH FLOWS FROM:</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (Deficiency) of Revenue over Expenses for the year	\$ (2,684)	\$ (10,442)
Charges to Revenue over Expenses not affecting cash flow:		
Amortization	7,078	6,133
Amortization of deferred contributions	(1,800)	-
	2,594	(4,309)
Changes in non-cash working capital:		
Accounts receivable	-	34
Goods and services tax recoverable	254	(254)
Silver award pins	210	210
Prepaid expenses	5,154	285
Accounts payable and accrued liabilities	(4,904)	(2,252)
Deferred revenue	5,683	16,227
Deferred contributions	-	9,000
	8,991	18,941
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(3,486)	(14,473)
Purchase of investments	(12,000)	(12,000)
Increase in investments	(977)	(242)
	(16,463)	(26,715)
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	<b>(7,472)</b>	<b>(7,774)</b>
<b>CASH AND EQUIVALENTS, beginning of year</b>	<b>91,286</b>	<b>99,060</b>
<b>CASH AND EQUIVALENTS, end of year</b>	<b>\$ 83,814</b>	<b>\$ 91,286</b>

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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, 2005

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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. 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) Temporary Investments

Temporary 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
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, 2005

(f) Financial Instruments

The Society's financial instruments consist of cash, temporary investments, accounts payable and deferred revenue. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

(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.

### 3. WORKS OF ART

As at December 31, 2005, the collection consisted of approximately 335 (2004 - 350) works of art. During the current year, the Society did not received any work of art (2004 - one) for the permanent collection. There were two (2004 - none) works of art from the bequest of the Estate of Stafford Plant sold during the year. As at December 31, 2005, the fair market value of the total collection is approximately \$364,000 (2004 - \$370,000).

### 4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2005	Net 2004
Computer hardware	\$ 17,631	\$ 13,167	\$ 4,464	\$ 4,525
Furniture and fixtures	41,507	27,129	14,378	7,912
Fixture under construction	-	-	-	9,000
Leasehold improvement	37,483	34,167	3,316	4,313
	96,621	74,463	22,158	\$ 25,750

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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DECEMBER 31, 2005

### 5. DEFERRED REVENUE

Deferred revenue consist of the following:

	2005	2004
Deferred membership dues	\$ 78,053	\$ 79,768
Deferred class fees	24,299	17,114
Deferred workshop fees	15,016	14,103
Deferred other	400	1,100
	<u>\$ 117,768</u>	<u>\$ 112,085</u>

### 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.

	2005	2004
Balance, beginning of year	\$ 9,000	\$ -
Contributions received	-	9,000
Amortization of deferred contributions	(1,800)	-
Balance, end of year	<u>\$ 7,200</u>	<u>\$ 9,000</u>

### 7. INVESTED IN CAPITAL ASSETS

	2005	2004
Balance, beginning of year	\$ 16,750	\$ 17,410
Acquisition of capital assets	3,486	14,473
Amortization	(7,078)	(6,133)
Amount financed by deferred contribution	1,800	(9,000)
Balance, end of year	<u>\$ 14,958</u>	<u>\$ 16,750</u>

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO THE FINANCIAL STATEMENTS

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DECEMBER 31, 2005

### 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 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 \$12,374 (2004 - \$16,176). Gross revenue related to this event was \$94,190 (2004 - \$99,015) and gross expenses related to this event was \$81,816 (2004 - \$82,839).

### 10. COMMITMENT

The Society has entered into a premises lease agreement expiring in January 31, 2008 and various equipment leases. The minimum annual payments are as follows:

2006	\$	12,157
2007		12,157
2008		4,617
2009		3,932
2010		3,798
Thereafter		992

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\$ 37,653

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### 11. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation. The comparative figures were audited by another auditor.