

FEDERATION OF CANADIAN ARTISTS
FINANCIAL STATEMENTS
DECEMBER 31, 2006

FEDERATION OF CANADIAN ARTISTS

DECEMBER 31, 2006

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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, 2006 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, 2006 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 9, 2007

Catherine Der

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.

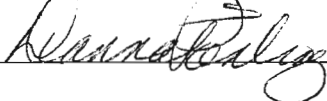
FEDERATION OF CANADIAN ARTISTS

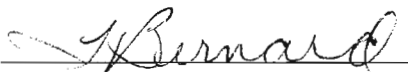
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2006

	2006	2005
ASSETS		
CURRENT		
Cash	\$ 45,637	\$ 83,814
Temporary investments	44,512	37,457
Accounts receivable	2,143	-
Silver award pins	2,520	2,730
Prepaid expenses	583	2,025
	95,395	126,026
WORKS OF ART (Note 3)	3,000	3,000
CAPITAL ASSETS (Note 4)	17,604	22,158
	\$ 115,999	\$ 151,184
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 20,967	\$ 9,465
Deferred revenue (Note 5)	91,093	117,768
	112,060	127,233
DEFERRED CONTRIBUTIONS (Note 6)	5,400	7,200
	117,460	134,433
NET ASSETS (DEFICIENCY)		
INVESTED IN CAPITAL ASSETS (Note 7)	12,204	14,958
NET ASSETS	(13,665)	1,793
	(1,461)	16,751
	\$ 115,999	\$ 151,184

APPROVED BY THE DIRECTORS:

 Director

 Director

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2006

	Invested in Capital Assets	Unrestricted	2006	2005
NET ASSETS , beginning of year	\$ 14,958	\$ 1,793	\$ 16,751	\$ 19,435
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(4,734)	(13,478)	(18,212)	(2,684)
INVESTED IN CAPITAL ASSETS	1,980	(1,980)	-	-
NET ASSETS , end of year	\$ 12,204	\$ (13,665)	\$ (1,461)	\$ 16,751

See accompanying notes

5.

FEDERATION OF CANADIAN ARTISTS

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2006

	2006	2005
REVENUES		
Membership fees	\$ 123,125	\$ 121,710
Classes and workshops	92,358	104,456
Gallery sales and exhibition fees	89,998	81,121
B.C. Gaming	26,000	27,265
Donations and fundraising	8,420	24,396
Painting on the Edge event	16,519	17,536
Painting by Numbers event, net (Note 9)	18,110	12,374
Magazine	7,050	8,780
Miscellaneous	7,108	6,666
Amortization of deferred contribution	1,800	1,800
Rental shows	1,000	1,500
	391,488	407,604
EXPENSES		
Amortization	6,534	7,078
Artists' share of sale of paintings	45,659	40,225
ArtFusion Calgary event	-	9,169
Classes and workshops	60,340	71,554
Contract services	5,031	4,637
Gallery operations	22,951	26,226
Magazine and postage	52,081	50,926
Office and administration	36,843	32,901
Painting on the Edge event	11,024	11,755
Premises	18,033	16,932
Professional fees	11,320	8,713
Salaries and benefits	139,884	130,172
	409,700	410,288
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(18,212)	(2,684)

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

CASH FLOW STATEMENT

YEAR ENDED DECEMBER 31, 2006

	2006	2005
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenue over Expenses for the year	\$ (18,212)	\$ (2,684)
Charges to Revenue over Expenses not affecting cash flow:		
Amortization	6,534	7,078
Amortization of deferred contributions	(1,800)	(1,800)
	(13,478)	2,594
Changes in non-cash working capital:		
Accounts receivable	(2,143)	-
Goods and services tax recoverable	-	254
Silver award pins	210	210
Prepaid expenses	1,442	5,154
Accounts payable and accrued liabilities	11,502	(4,904)
Deferred revenue	(26,675)	5,683
	(29,142)	8,991
INVESTING ACTIVITIES		
Purchase of capital assets	(1,980)	(3,486)
Purchase of investments	(5,520)	(12,000)
Increase in investments	(1,535)	(977)
	(9,035)	(16,463)
NET DECREASE IN CASH AND EQUIVALENTS	(38,177)	(7,472)
CASH AND EQUIVALENTS, beginning of year	83,814	91,286
CASH AND EQUIVALENTS, end of year	\$ 45,637	\$ 83,814

See accompanying notes

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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.

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

(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, 2006, the collection consisted of approximately 325 (2005 - 335) works of art. During the current year, the Society did not received any work of art (2005 - none) for the permanent collection. There were seven (2005 - two) works of art from the bequest of the Estate of Stafford Plant sold during the year for net proceeds totalling \$4,888 after commissions paid of \$2,237. In addition, there was one (2005 - none) 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, 2006, the fair market value of the total collection is approximately \$350,000 (2005 - \$364,000).

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2006	Net 2005
Computer hardware	\$ 17,781	\$ 14,551	\$ 3,230	\$ 4,464
Furniture and fixtures	43,337	30,731	12,606	14,378
Leasehold improvement	37,483	35,715	1,768	3,316
	98,601	80,997	17,604	\$ 22,158

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

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5. DEFERRED REVENUE

Deferred revenue consist of the following:

	2006	2005
Deferred membership dues	\$ 60,322	\$ 78,053
Deferred class fees	23,264	24,299
Deferred workshop fees	5,757	15,016
Deferred other	1,750	400
	\$ 91,093	\$ 117,768

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.

	2006	2005
Balance, beginning of year	\$ 7,200	\$ 9,000
Amortization of deferred contributions	(1,800)	(1,800)
Balance, end of year	\$ 5,400	\$ 7,200

7. INVESTED IN CAPITAL ASSETS

	2006	2005
Balance, beginning of year	\$ 14,958	\$ 16,750
Acquisition of capital assets	1,980	3,486
Amortization	(6,534)	(7,078)
Amount financed by deferred contribution	1,800	1,800
Balance, end of year	\$ 12,204	\$ 14,958

FEDERATION OF CANADIAN ARTISTS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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 \$18,110 (2005 - \$12,374). Gross revenue related to this event was \$121,358 (2005 - \$94,190) and gross expenses related to this event was \$103,248 (2005 - \$81,816).

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:

2007	\$	12,157
2008		4,617
2009		3,932
2010		3,798
2011		992

\$ 25,496
