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**FINANCIAL STATEMENTS**

**FEDERATION OF CANADIAN ARTISTS**

**(Unaudited)**

**December 31, 2017**

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# FEDERATION OF CANADIAN ARTISTS

## FINANCIAL STATEMENTS

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for the year ended December 31, 2017

(Unaudited)

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**FEDERATION OF CANADIAN ARTISTS**  
**STATEMENT OF FINANCIAL POSITION**

| as at December 31                                    | (Unaudited)    |         |
|--|----------------|---------|
|  | 2017           | 2016    |
|  | \$             | \$      |
| <b>ASSETS</b>  |                |         |
| <b>CURRENT</b>                                       |                |         |
| Cash and Cash Equivalents                            | <b>189,978</b> | 186,937 |
| Accounts Receivable                                  | -              | 735     |
| Inventory (Note 3)                                   | <b>23,880</b>  | 26,475  |
| Prepaid Expenses                                     | <b>1,660</b>   | 4,686   |
|  | <b>215,518</b> | 218,833 |
| <b>LONG-TERM</b>                                     |                |         |
| Property and Equipment (Note 4)                      | <b>9,393</b>   | 11,903  |
|  | <b>224,911</b> | 230,736 |
| <b>LIABILITIES AND NET ASSETS</b>                    |                |         |
| <b>CURRENT LIABILITIES</b>                           |                |         |
| Accounts Payable and Accrued Liabilities (Note 5)    | <b>24,823</b>  | 24,943  |
| Deferred Revenue (Note 6)                            | <b>100,836</b> | 102,073 |
| Current Portion of Capital Lease Obligation (Note 7) | <b>1,673</b>   | 1,620   |
|  | <b>127,332</b> | 128,636 |
| <b>LONG-TERM LIABILITIES</b>                         |                |         |
| Capital Lease (Note 7)                               | <b>4,892</b>   | 6,564   |
|  | <b>132,224</b> | 135,200 |
| <b>NET ASSETS</b>                                    |                |         |
| Unrestricted Net Assets                              | <b>92,687</b>  | 95,536  |
|  | <b>92,687</b>  | 95,536  |
|  | <b>224,911</b> | 230,736 |

**COMMITMENTS (Note 8)**

**CONTINGENT LIABILITY (Note 12)**

*see accompanying notes to financial statements*

 Director
  Director





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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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

We have reviewed the accompanying financial statements of **Federation of Canadian Artists** that comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Practitioner's Responsibility***

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Federation of Canadian Artists as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP0).

Vancouver, BC  
April 26, 2018

Pace Accounting Inc.  
Chartered Professional Accountants

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**FEDERATION OF CANADIAN ARTISTS****STATEMENT OF CHANGES IN NET ASSETS**

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for the year ended December 31

(Unaudited)

|  | Unrestricted<br>\$ | 2017<br>Total<br>\$ | 2016<br>Total<br>\$ |
|--|--------------------|---------------------|---------------------|
| <b>NET ASSETS</b>                                |                    |                     |                     |
| Balance, beginning of year                       | 95,536             | <b>95,536</b>       | 70,700              |
| Excess (Deficiency) of Revenues<br>over Expenses | (2,849)            | <b>(2,849)</b>      | 24,836              |
| Balance, end of year                             | 92,687             | <b>92,687</b>       | 95,536              |

*see accompanying notes to financial statements*

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**FEDERATION OF CANADIAN ARTISTS****STATEMENT OF OPERATIONS**

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for the year ended December 31

(Unaudited)

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>REVENUES</b>                                      |                |                |
| Membership Fees                                      | 178,907        | 160,585        |
| Sales - Paintings                                    | 140,328        | 158,650        |
| Jury and Exhibition                                  | 119,641        | 109,093        |
| Workshops  | 114,161        | 36,350         |
| Sales - Merchandise and Miscellaneous                | 16,564         | 11,196         |
| Donations and Fundraising                            | 11,947         | 47,439         |
| Magazine   | 8,381          | 5,793          |
| Donated Artwork                                      | 7,577          | 107,236        |
| Government Grants                                    | 854            | 11,246         |
|  | <b>598,360</b> | <b>647,588</b> |
| <b>EXPENSES</b>                                      |                |                |
| Salaries and Benefits                                | 235,692        | 205,829        |
| Artists' Share of Sales                              | 102,125        | 99,685         |
| Workshops  | 84,685         | 29,337         |
| Magazine and Postage                                 | 51,307         | 34,270         |
| Office and Administration                            | 44,734         | 45,119         |
| Exhibition Expenses                                  | 31,096         | 49,610         |
| Premises   | 26,422         | 26,700         |
| Professional Fees                                    | 10,709         | 8,569          |
| Donated Artwork                                      | 7,522          | 106,636        |
| Advertising and Promotion                            | 4,407          | 14,072         |
| Amortization   | 2,510          | 2,925          |
|  | <b>601,209</b> | <b>622,752</b> |
| <b>Excess (Deficiency) of Revenues over Expenses</b> | <b>(2,849)</b> | <b>24,836</b>  |

*see accompanying notes to financial statements*

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**FEDERATION OF CANADIAN ARTISTS****STATEMENT OF CASH FLOWS**

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for the year ended December 31

(Unaudited)

|  | 2017           | 2016     |
|--|----------------|----------|
|  | \$             | \$       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                |          |
| Excess (deficiency) of revenues over expenses                                    | <b>(2,849)</b> | 24,836   |
| Adjustments to reconcile net income to cash provided<br>by operating activities: |                |          |
| Amortization   | <b>2,510</b>   | 2,925    |
| Change in non-cash working capital items:  |                |          |
| (Increase) Decrease in Accounts Receivable                                       | <b>735</b>     | 323      |
| (Increase) Decrease in Inventory   | <b>2,595</b>   | (6,820)  |
| (Increase) Decrease in Prepaid Expenses  | <b>3,026</b>   | (3,205)  |
| Increase (Decrease) in Accrued Liabilities                                       | <b>(119)</b>   | 7,708    |
| Increase (Decrease) in Deferred Revenue  | <b>(1,237)</b> | 1,154    |
| Cash provided by operating activities  | <b>4,661</b>   | 26,921   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                |          |
| Acquisition of Property and Equipment  | -              | (11,145) |
| Cash provided by (used in) investing activities                                  | -              | (11,145) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                |          |
| Capital Lease Obligation   | -              | 9,370    |
| Capital Lease Obligation Repaid  | <b>(1,620)</b> | (1,186)  |
| Cash provided by (used in) financing activities                                  | <b>(1,620)</b> | 8,184    |
| <b>INCREASE IN CASH</b>  | <b>3,041</b>   | 23,960   |
| <b>Cash &amp; Equivalents, beginning of year</b>                                 | <b>186,937</b> | 162,977  |
| <b>Cash &amp; Equivalents, end of year</b>                                       | <b>189,978</b> | 186,937  |
| <b>Cash &amp; Equivalents Consist of:</b>  |                |          |
| Cash Deposits in Bank  | <b>189,978</b> | 186,937  |

*see accompanying notes to financial statements*

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

### **Note 1 - Purpose of Organization**

Federation of Canadian Artists (B.C. Region) was incorporated under the Societies Act of British Columbia on November 15, 1960. On February 24, 1998, the Society changed its name to Federation of Canadian Artists (the "Society"). The Society is a registered charity and is exempt from income tax under section 149(1)(l) of the Income Tax Act. The purpose of the Society is to promote and enhance visual arts through exhibition and education for its members as well as for the public across Canada.

### **Note 2 - Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of the Society have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNFP").

#### **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 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 fees are recognized as revenue on a straight-line basis over the year. Classes and workshop fees are recognized as revenue upon completion of the course. Revenue from sales and fees is recognized when the goods are delivered or when the services are provided.

Donated goods and services (exclusive of volunteer time) are recorded at their estimated fair market value and when the material and services are used in the normal course of the Society's operations and would otherwise have been purchased.

#### **Cash and Equivalents**

Cash and equivalents consist of cash deposits with banks and short-term deposits with maturity dates of less than three months.



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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

### Note 2 - Significant Accounting Policies (Continued)

#### Inventory

Purchased inventory is valued at the lower of cost and net realizable value. Donated goods and paintings are generally determined on the specific identification basis by management.

Donated art works from the Estate of Stafford Plant and permanent collection donated by members are recorded at a nominal value of \$3,000 in inventory. The Society periodically examines the estimated fair market value of these artworks.

#### Tangible Capital Assets

Purchased tangible 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:

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|                               |                       |
|-------------------------------|-----------------------|
| Computer equipment            | 30% declining balance |
| Furniture and fixtures        | 20% declining balance |
| Equipment under capital lease | 20% declining balance |
| Leasehold improvements        | 5 years straight-line |

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#### Financial Instruments

##### Measurement of Financial Instruments

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and 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 and capital lease obligation.

##### 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.



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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

### Note 2 - Significant Accounting Policies (Continued)

#### 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.

#### Statement of Cash Flows

The statement of cash flows is prepared on a net cash basis and cash flows from operating activities are reported using the indirect method.

#### Use of Estimates

The preparation of financial statements in accordance 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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include valuation of works of art and determination of useful lives of capital assets. Actual results could differ from those estimates.

### Note 3 - Inventory

Inventory consists of:

|   | 2017          | 2016          |
|---|---------------|---------------|
|   | \$            | \$            |
| Silver Pins   | 840           | 840           |
| Paintings - 10 pieces (2016 - 12 pieces)                      | 19,540        | 22,635        |
| Estate of Stafford Plant Paintings and Permanent Collection * | 3,000         | 3,000         |
| Books   | 500           | -             |
|   | <b>23,880</b> | <b>26,475</b> |

\* As at December 31, 2017, there were 324 paintings from the bequest of the Estate of Stafford Plant. There was one sold during the year for \$975. Members' artworks consist of 75 paintings donated by members held as permanent collection.

Due to the high cost of appraisals, the fair market value of the donated paintings from the Estate of Stafford Plant and members has not been determined. Management believes there is no benefit to the Society in obtaining the estimated fair market value of these artworks.

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**FEDERATION OF CANADIAN ARTISTS****NOTES TO FINANCIAL STATEMENTS**

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December 31, 2017

(Unaudited)

**Note 4 - Property and Equipment**

Property and equipment consist of:

|                               | 2017   |              |       | 2016   |
|-------------------------------|--------|--------------|-------|--------|
|                               | Cost   | Accumulated  | Net   | Net    |
|                               |        | Amortization |       |        |
| \$                            | \$     | \$           | \$    |        |
| Furniture and Fixtures        | 42,714 | 40,971       | 1,743 | 2,179  |
| Computer Equipment            | 24,328 | 23,424       | 904   | 1,292  |
| Leasehold Improvements        | 13,157 | 13,157       | -     | -      |
| Equipment Under Capital Lease | 9,370  | 2,624        | 6,746 | 8,432  |
|                               | 89,569 | 80,176       | 9,393 | 11,903 |

Furniture and fixtures additions were \$nil in the year (2016 - \$1,070). Computer equipment additions were \$nil in the year (2016 - \$704). Equipment under capital lease additions were \$nil in the year (2016 - \$9,370).

**Note 5 - Accounts Payable and Accrued Liabilities**

|                        | 2017   | 2016   |
|------------------------|--------|--------|
|                        | \$     | \$     |
| Trade Payables         | 9,728  | 12,314 |
| Government Remittances | 3,991  | 2,157  |
| Staff Payroll Payable  | 11,104 | 10,472 |
|                        | 24,823 | 24,943 |

**Note 6 - Deferred Revenue**

Deferred revenue consists of the following:

|                             | 2017    | 2016    |
|-----------------------------|---------|---------|
|                             | \$      | \$      |
| Deferred Membership Dues    | 71,790  | 93,797  |
| Deferred Income - Workshops | 14,637  | -       |
| Deferred Income - Retreat   | 7,757   | -       |
| Deferred Donations          | 6,220   | 6,220   |
| Deferred Fees               | 375     | 1,145   |
| Deferred Gaming Grant       | 57      | 911     |
|                             | 100,836 | 102,073 |

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## FEDERATION OF CANADIAN ARTISTS

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

#### Note 7 - Capital Lease Obligation

The capital lease is for a leased photocopier with Automation One Business Systems Inc. The term of the lease is 66 months, with monthly payments of \$145 plus applicable taxes. Interest expense of \$242 was related to the capital lease obligation in 2017.

|   | 2017    | 2016    |
|---|---------|---------|
|   | \$      | \$      |
| Capital lease obligation                          | 6,565   | 8,184   |
| Less: current portion of capital lease obligation | (1,673) | (1,620) |
| Long-term   | 4,892   | 6,564   |

The future minimum lease payments are as follows:

|      |       |
|------|-------|
| 2018 | 1,673 |
| 2019 | 1,728 |
| 2020 | 1,785 |
| 2021 | 1,379 |

The capital lease obligation is secured by the equipment to which it relates.

#### Note 8 - Commitments

The premises lease expired on January 31, 2018 with no further right of renewal. It's the management's opinion that the landlord Canada Mortgage and Housing Corporation (CMHC) will provide a new lease. The minimum annual lease payment based on current lease term is as follows:

|      | \$    |
|------|-------|
| 2018 | 1,091 |

#### Note 9 - Related Parties

##### Chapters

The Society has eleven individual Chapters operating in various cities in British Columbia and Alberta. Formation of FCA Chapters is optional, members' participation in Chapters is optional and Chapters are self-supporting. The Chapters are separate entities as collective members. The Society has no authority pertaining to the governance and operations of a Chapter and assumes no liability or commission in any financial or legal or other matter that may arise pertaining to any Chapter.

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## FEDERATION OF CANADIAN ARTISTS

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

#### **Note 9 - Related Parties (Continued)**

The Society's financial statements do not include the financial activities of the Chapters. The Society contributes \$100 to their start up and sometimes collects submission fees for online jurying on behalf of the Chapters (which are then transferred to the Chapters, less processing charges), but otherwise the Society has no financial interaction with these Chapters. In 2017, \$9,490 was received for Chapter jury fees (2016 - \$10,160), \$1,199 was received for Chapter exhibition entry fees (2016 - \$Nil), and a total of \$5,800 was paid for Chapter show reimbursements (2016 - \$6,161).

#### **Board Members**

Board members are occasionally instructors at workshops or classes. During the year, a total of \$5,520 was paid to board members for instructor fees (2016 - \$1,650).

#### **Note 10 - Financial Instruments**

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure at the balance sheet date.

#### **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. Cash flow from operations provides a substantial portion of the Society's cash requirements.

#### **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 occasionally provides credit to its members in the normal course of its operations. The Society assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive.

#### **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 risk and other price risk. The Society is mainly exposed to interest rate risk. It is management's opinion that the Society is not exposed to significant currency risk or other price risk.



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## FEDERATION OF CANADIAN ARTISTS

### NOTES TO FINANCIAL STATEMENTS

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December 31, 2017

(Unaudited)

#### **Note 10 - Financial Instruments (Continued)**

##### **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 monitors the risk on an ongoing basis.

##### **Note 11 - Remuneration**

As required by the Societies Act of British Columbia for disclosure of any remuneration paid to directors and remuneration paid to employees or contractors in excess of \$75,000 per year, the Society paid \$5,520 to directors who worked as workshop instructors, and one employee was paid \$84,333 in 2017.

##### **Note 12 - Contingent Liability**

The Society receives and sells works of art on consignment. In the event of a fire, flood or similar disaster in their gallery, the Society would be liable for any damages to these paintings. Paintings are insured in the amount of \$350,000. Management believes that the insurance coverage is adequate.

##### **Note 13 - Comparative Figures**

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