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**FINANCIAL STATEMENTS**

**FEDERATION OF CANADIAN ARTISTS**

**Unaudited**

**December 31, 2019**

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# FEDERATION OF CANADIAN ARTISTS

## FINANCIAL STATEMENTS

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for the year ended December 31, 2019

Unaudited

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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, 2019 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, 2019, 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 (ASNPO).

Vancouver, BC  
May 29, 2020

Pace Accounting Inc.  
Chartered Professional Accountants

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

as at December 31	Unaudited	
	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Cash Equivalents	223,537	210,946
Inventory (Note 3)	406,309	22,280
Prepaid Expenses	17,481	3,866
	647,327	237,092
<b>LONG-TERM</b>		
Works of Art Collection (Note 4)	1	—
Property and Equipment (Note 5)	10,809	8,881
	658,137	245,973
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 6)	36,725	42,185
Deferred Revenue (Note 7)	538,745	117,686
Current Portion of Capital Lease Obligation (Note 8)	1,785	1,728
	577,255	161,599
<b>LONG-TERM LIABILITIES</b>		
Capital Lease (Note 8)	1,379	3,164
	578,634	164,763
<b>NET ASSETS</b>		
Unrestricted Net Assets	79,503	81,210
	79,503	81,210
	658,137	245,973

**Commitments (Note 9)**

**Contingent Liability (Note 13)**

*see accompanying notes to financial statements*

\_\_\_\_\_ Director

\_\_\_\_\_ Director



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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 \$	2019 Total \$	2018 Total \$
<b>NET ASSETS</b>			
Balance, beginning of year	81,210	<b>81,210</b>	92,687
Excess (Deficiency) of Revenues over Expenses	(1,707)	<b>(1,707)</b>	(11,477)
Balance, end of year	79,503	<b>79,503</b>	81,210

*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

	2019	2018
	\$	\$
<b>REVENUES</b>		
Membership Fees	<b>180,486</b>	180,925
Sales - Paintings	<b>167,894</b>	149,376
Jury and Exhibition	<b>122,016</b>	117,882
Workshops	<b>91,145</b>	87,380
Sales - Merchandise and Miscellaneous	<b>39,144</b>	12,055
Donations and Fundraising	<b>21,925</b>	22,443
Grants	<b>17,850</b>	4,478
Donated Artwork and Supplies	<b>11,693</b>	7,526
Magazine	<b>9,402</b>	13,764
	<b>661,555</b>	595,829
<b>EXPENSES</b>		
Salaries and Benefits	<b>255,787</b>	261,882
Artists' Share of Sales	<b>111,120</b>	93,594
Workshops	<b>85,506</b>	71,765
Office and Administration	<b>55,770</b>	47,584
Magazine and Postage	<b>44,578</b>	50,208
Exhibition Expenses	<b>41,920</b>	29,155
Premises	<b>26,989</b>	26,379
Donated Artwork and supplies	<b>19,065</b>	1,650
Professional Fees	<b>9,098</b>	5,143
Advertising and Promotion	<b>7,467</b>	11,441
Fundraising	<b>3,491</b>	6,310
Amortization	<b>2,471</b>	2,195
	<b>663,262</b>	607,306
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>(1,707)</b>	<b>(11,477)</b>

*see accompanying notes to financial statements*

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

for the year ended December 31 Unaudited

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	<b>(1,707)</b>	(11,477)
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization	<b>2,471</b>	2,195
Change in non-cash working capital items:		
(Increase) Decrease in Inventory	<b>(384,029)</b>	1,600
(Increase) Decrease in Prepaid Expenses	<b>(13,615)</b>	(2,206)
Increase (Decrease) in Accrued Liabilities	<b>(5,459)</b>	17,360
Increase (Decrease) in Deferred Revenue	<b>421,059</b>	16,850
Cash provided by operating activities	<b>18,720</b>	24,322
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(4,401)	(1,682)
Cash provided by (used in) investing activities	<b>(4,401)</b>	(1,682)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Lease Obligation Repaid	<b>(1,728)</b>	(1,672)
Cash provided by (used in) financing activities	<b>(1,728)</b>	(1,672)
<b>INCREASE IN CASH</b>	<b>12,591</b>	20,968
<b>Cash and Cash Equivalents, beginning of year</b>	<b>210,946</b>	189,978
<b>Cash and Cash Equivalents, end of year</b>	<b>223,537</b>	210,946

**Cash and Cash Equivalents Consist of:**

Cash Deposits in Bank	<b>223,537</b>	210,946
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*see accompanying notes to financial statements*

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2019

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 taxes 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 ("ASNPO") in Part III of the CPA Canada Handbook and include the following significant accounting policies:

#### **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 Cash Equivalents**

Cash and cash equivalents consist of cash deposits with banks and short-term deposits with a maturity period of three months or less from the date of acquisition.

#### **Inventory**

Purchased inventory is valued at the lower of cost and net realizable value. The value of donated goods and paintings is generally determined on the specific identification basis by management, but occasionally the value is determined by appraisal if the donations are significant.





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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2019

Unaudited

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

#### Works of Art Collection

Donated artworks from the Estate of Stafford Plant and the permanent collection donated by members are recorded at a nominal value. The Society periodically examines the estimated fair market value of these artworks. Conservation costs are expensed in the year in which they are incurred.

#### 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, fixtures and equipment	20% declining balance
Equipment under capital lease	20% declining balance

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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.

##### 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.



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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2019

Unaudited

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

#### 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:

	2019	2018
	\$	\$
Silver Pins	840	840
Paintings	51,889	17,940
Lithographic and Silkscreen Prints	332,755	-
Art Cards	17,500	-
Books	325	500
Estate of Stafford Plant Paintings *	3,000	3,000
	<b>406,309</b>	<b>22,280</b>

\* As at December 31, 2019, there were 291 (2018 - 304) paintings from the bequest of the Estate of Stafford Plant held for sale. Since the fair market value of these donated paintings cannot be reasonably determined, a nominal value of \$3,000 is recorded as inventory.

There were 13 pieces sold during the year for \$6,990 (2018 - nine pieces sold for \$4,912).

### Note 4 - Works of Art Collection

The collection consists mainly of original paintings and not held for sale. There are 75 paintings donated by members and 11 paintings from the bequest of the Estate of Stafford Plant. Since the fair market value of these donated paintings cannot be reasonably determined, the items in questions are recorded at nominal value of \$1. During the year, the organization incurred an expense of \$25 (2018 - \$Nil) for the normal maintenance of its permanent collection of works of art.

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2019

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### Note 5 - Property and Equipment

Property and equipment consist of:

	2019			2018
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Furniture, Fixtures and Equipment	45,771	41,999	<b>3,772</b>	1,876
Computer Equipment	24,849	22,130	<b>2,719</b>	1,608
Equipment Under Capital Lease	9,370	5,052	<b>4,318</b>	5,397
	<b>79,990</b>	<b>69,181</b>	<b>10,809</b>	<b>8,881</b>

Total capital assets additions were \$4,401 in the year (2018 - \$1,682).

### Note 6 - Accounts Payable and Accrued Liabilities

	2019	2018
	\$	\$
Trade Payables	<b>12,412</b>	16,462
Government Remittances	<b>7,388</b>	7,387
Staff Payroll Payable	<b>16,925</b>	18,336
	<b>36,725</b>	<b>42,185</b>

### Note 7 - Deferred Revenue

Deferred revenue consists of the following:

	2019	2018
	\$	\$
Deferred Membership Dues	<b>96,615</b>	88,810
Deferred Income - Workshops	<b>4,104</b>	15,323
Deferred Income - Retreat	<b>35,170</b>	7,875
Deferred Donations	<b>402,144</b>	4,470
Deferred Fees	<b>675</b>	1,151
Deferred Gaming Grant	<b>37</b>	57
	<b>538,745</b>	<b>117,686</b>

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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### Note 8 - 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 \$134 was related to the capital lease obligation in 2019.

	2019	2018
	\$	\$
Capital lease obligation	3,164	4,892
Less: current portion of capital lease obligation	(1,785)	(1,728)
Long-term	1,379	3,164
The future minimum lease payments are as follows:		
2020	1,785	
2021	1,379	
	3,164	

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

### Note 9 - Commitments

The Federation entered into a lease for premises with Canada Mortgage and Housing Corporation (CMHC) commencing February 1, 2018 and expiring on January 31, 2021, with one option to renew for two years. The minimum annual lease payments for the next two years are as follows:

	\$
2020	15,748
2021	1,325

### Note 10 - Related Parties

#### Chapters

The Society has fourteen individual Chapters operating in various cities in British Columbia, Alberta, and Ontario. 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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### Note 10 - Related Parties (Continued)

The Society's financial statements do not include the financial activities of the Chapters. The Society may contribute \$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. The following transactions relating to Chapters are recorded in the Society's revenues and expenses:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Revenues:		
Chapter Jury Fees	17,570	10,185
Expenses:		
Chapter show reimbursements	(8,511)	(6,209)
Chapter outreach	(980)	(6,955)
Chapter start up	-	(100)
	<b>(9,491)</b>	<b>(13,264)</b>

### Board Members

Board members are occasionally instructors at workshops or classes. During the year, a total of \$5,850 was paid to board members for instructor fees (2018 - \$980).

All related party transactions are recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties.

### Note 11 - Financial Instruments

The significant risks arising from financial instruments to which the Society is exposed as at December 31, 2019 are detailed below.

### 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.

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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### **Note 12 - 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 \$5,850 to directors who worked as workshop instructors, and one employee was paid over \$75,000 in 2019.

### **Note 13 - 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. An estimate of the amount of the contingent liability cannot be made. Paintings are insured and management believes that the insurance coverage is adequate.

### **Note 14 - Subsequent Events**

Due to COVID-19 restrictions, the Gallery closed in March 2020, all but two employees were laid off, and all workshops were postponed. An estimate of the significant financial effect cannot be reasonably made. The business reopened on May 25, 2020 as the COVID-19 restrictions were lifted.

A Canada Emergency Business Account (CEBA) interest-free loan in the amount of \$40,000 was approved in April 2020. No repayments are required until December 31, 2022. Fully repaying \$30,000 of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (\$10,000). If the loan cannot be repaid by December 31, 2022, it can be converted into a 3-year term loan charging an interest rate of 5%.