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**FINANCIAL STATEMENTS**

**FEDERATION OF CANADIAN ARTISTS**

**Unaudited**

**December 31, 2021**

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# FEDERATION OF CANADIAN ARTISTS

## FINANCIAL STATEMENTS

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for the year ended December 31, 2021

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, 2021 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, 2021, 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  
March 10, 2022

Pace Accounting Inc.  
Chartered Professional Accountants

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

| as at December 31                                    | Unaudited      |                |
|--|----------------|----------------|
|  | 2021           | 2020           |
|  | \$             | \$             |
| <b>ASSETS</b>  |                |                |
| <b>CURRENT</b>                                       |                |                |
| Cash and Cash Equivalents                            | 434,441        | 314,102        |
| Inventory (Note 2 and Note 3)                        | 433,373        | 433,673        |
| Prepaid Expenses                                     | 12,418         | 20,063         |
|  | <b>880,232</b> | <b>767,838</b> |
| <b>LONG-TERM</b>                                     |                |                |
| Works of Art Collection (Note 2 and 4)               | 1              | 1              |
| Tangible Capital Assets (Note 2 and Note 5)          | 23,149         | 18,328         |
|  | <b>903,382</b> | <b>786,167</b> |
| <b>LIABILITIES AND NET ASSETS</b>                    |                |                |
| <b>CURRENT LIABILITIES</b>                           |                |                |
| Accounts Payable and Accrued Liabilities (Note 6)    | 55,333         | 38,372         |
| Deferred Revenue (Note 7)                            | 555,460        | 562,279        |
| Current Portion of Capital Lease Obligation (Note 8) | —              | 1,379          |
|  | <b>610,793</b> | <b>602,030</b> |
| <b>LONG-TERM LIABILITIES</b>                         |                |                |
| Canada Emergency Business Account Loan (Note 10)     | 40,000         | 30,000         |
|  | <b>650,793</b> | <b>632,030</b> |
| <b>NET ASSETS</b>                                    |                |                |
| Unrestricted Net Assets                              | 252,589        | 154,137        |
|  | <b>252,589</b> | <b>154,137</b> |
|  | <b>903,382</b> | <b>786,167</b> |

**Commitments (Note 11)**

**Contingent Liability (Note 15)**

*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<br>\$ | 2021<br>Total<br>\$ | 2020<br>Total<br>\$ |
|----------------------------------|--------------------|---------------------|---------------------|
| <b>NET ASSETS</b>                |                    |                     |                     |
| Balance, beginning of year       | 154,137            | <b>154,137</b>      | 79,503              |
| Excess of Revenues over Expenses | 98,452             | <b>98,452</b>       | 74,634              |
| Balance, end of year             | 252,589            | <b>252,589</b>      | 154,137             |

*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

|  | 2021           | 2020    |
|--|----------------|---------|
|  | \$             | \$      |
| <b>REVENUES</b>                                      |                |         |
| Sales - Paintings                                    | <b>256,920</b> | 211,716 |
| Membership Fees                                      | <b>228,580</b> | 214,665 |
| Jury and Exhibition                                  | <b>171,701</b> | 167,109 |
| Workshops  | <b>125,147</b> | 19,910  |
| Grants (Note 10)                                     | <b>47,018</b>  | 24,260  |
| Rental   | <b>42,022</b>  | 11,983  |
| Sales - Merchandise and Miscellaneous                | <b>32,021</b>  | 11,039  |
| Donations and Fundraising                            | <b>26,163</b>  | 25,155  |
| In-Kind Donations (Note 9)                           | <b>5,292</b>   | 23,253  |
| Magazine   | <b>3,884</b>   | 370     |
|  | <b>938,748</b> | 709,460 |
| <b>EXPENSES</b>                                      |                |         |
| Salaries and Benefits                                | <b>376,716</b> | 298,896 |
| Artists' Share of Sales                              | <b>150,508</b> | 136,592 |
| Workshops  | <b>82,136</b>  | 8,328   |
| Premises   | <b>62,197</b>  | 58,722  |
| Office and Administration                            | <b>63,507</b>  | 51,514  |
| Exhibition Expenses                                  | <b>62,058</b>  | 41,355  |
| Magazine and Postage                                 | <b>33,198</b>  | 22,773  |
| Advertising and Promotion                            | <b>20,763</b>  | 7,918   |
| Professional Fees                                    | <b>13,592</b>  | 8,953   |
| Amortization   | <b>5,500</b>   | 4,142   |
| Donated Artwork and Supplies                         | <b>5,292</b>   | 8,045   |
| Fundraising  | <b>4,752</b>   | 2,068   |
|  | <b>880,219</b> | 649,306 |
| <b>Income from Operations</b>                        | <b>58,529</b>  | 60,154  |
| CMHC-Granville Island Covid-19 Rent Relief (Note 11) | <b>39,923</b>  | —       |
| Canada Emergency Wage Subsidy (Note 10)              | —              | 14,480  |
| <b>Excess of Revenues over Expenses</b>              | <b>98,452</b>  | 74,634  |

*see accompanying notes to financial statements*

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

| for the year ended December 31  | Unaudited       |          |
|---|-----------------|----------|
|   | 2021            | 2020     |
|   | \$              | \$       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                 |          |
| Excess (deficiency) of revenues over expenses                                 | <b>98,452</b>   | 74,634   |
| Adjustments to reconcile net income to cash provided by operating activities: |                 |          |
| Amortization  | <b>5,500</b>    | 4,142    |
| Change in non-cash working capital items:                                     |                 |          |
| (Increase) Decrease in Inventory  | <b>300</b>      | (27,364) |
| (Increase) Decrease in Prepaid Expenses                                       | <b>7,646</b>    | (2,582)  |
| Increase (Decrease) in Payables and Accrued Liabilities                       | <b>16,961</b>   | 1,647    |
| Increase (Decrease) in Deferred Revenue                                       | <b>(6,819)</b>  | 23,534   |
| Cash provided by operating activities   | <b>122,040</b>  | 74,011   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                 |          |
| Acquisition of Property and Equipment   | (10,322)        | (11,661) |
| Cash provided by (used in) investing activities                               | <b>(10,322)</b> | (11,661) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                 |          |
| Canada Emergency Business Account Loan  | <b>10,000</b>   | 30,000   |
| Capital Lease Obligation Repaid   | <b>(1,379)</b>  | (1,785)  |
| Cash provided by (used in) financing activities                               | <b>8,621</b>    | 28,215   |
| <b>INCREASE IN CASH</b>   | <b>120,339</b>  | 90,565   |
| <b>Cash and Cash Equivalents, beginning of year</b>                           | <b>314,102</b>  | 223,537  |
| <b>Cash and Cash Equivalents, end of year</b>                                 | <b>434,441</b>  | 314,102  |

**Cash and Cash Equivalents Consist of:**

|                       |                |         |
|-----------------------|----------------|---------|
| Cash Deposits in Bank | <b>434,441</b> | 314,102 |
|-----------------------|----------------|---------|

*see accompanying notes to financial statements*



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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

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. Rental income is recorded as earned.

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**

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, 2021

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 |
| 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, loan 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, 2021

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:

|                                      | 2021           | 2020           |
|--------------------------------------|----------------|----------------|
|                                      | \$             | \$             |
| Lithographic and Silkscreen Prints   | 355,699        | 355,999        |
| Paintings                            | 56,009         | 56,009         |
| Art Cards and Miscellaneous Items    | 18,665         | 18,665         |
| Estate of Stafford Plant Paintings * | 3,000          | 3,000          |
|                                      | <b>433,373</b> | <b>433,673</b> |

\* As at December 31, 2021, there were 227 (2020 - 279) 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 52 pieces sold during the year for \$28,615 (2020 - 12 pieces sold for \$10,215).

### Note 4 - Works of Art Collection

The collection consists mainly of original paintings that are not held for sale. There are 76 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 question are recorded at a nominal value of \$1. During the year, the organization incurred an expense of \$Nil (2020 - \$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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### Note 5 - Tangible Capital Assets

Tangible capital assets consist of:

|                                   | 2021          |                             |               | 2020          |
|-----------------------------------|---------------|-----------------------------|---------------|---------------|
|                                   | Cost          | Accumulated<br>Amortization | Net           | Net           |
|                                   | \$            | \$                          | \$            | \$            |
| Furniture, Fixtures and Equipment | 56,361        | 45,325                      | <b>11,036</b> | 7,548         |
| Computer Equipment                | 29,534        | 22,711                      | <b>6,823</b>  | 3,958         |
| Equipment Under Capital Lease     | 9,370         | 6,606                       | <b>2,764</b>  | 3,454         |
| Leasehold Improvements            | 4,210         | 1,684                       | <b>2,526</b>  | 3,368         |
|                                   | <b>99,475</b> | <b>76,326</b>               | <b>23,149</b> | <b>18,328</b> |

Total capital assets additions were \$10,322 in the year (2020 - \$11,661).

### Note 6 - Accounts Payable and Accrued Liabilities

|                        | 2021          | 2020          |
|------------------------|---------------|---------------|
|                        | \$            | \$            |
| Trade Payables         | <b>15,442</b> | 5,502         |
| Government Remittances | <b>13,061</b> | 11,343        |
| Staff Payroll Payable  | <b>26,830</b> | 21,527        |
|                        | <b>55,333</b> | <b>38,372</b> |

### Note 7 - Deferred Revenue

Deferred revenue consists of the following:

|                           | 2021           | 2020           |
|---------------------------|----------------|----------------|
|                           | \$             | \$             |
| Deferred Donations        | <b>429,208</b> | 429,508        |
| Deferred Membership Dues  | <b>123,035</b> | 111,465        |
| Deferred Fees             | <b>3,180</b>   | 1,245          |
| Deferred Gaming Grant     | <b>37</b>      | 37             |
| Deferred Income - Retreat | -              | 20,024         |
|                           | <b>555,460</b> | <b>562,279</b> |

### Note 8 - Capital Lease Obligation

The capital lease was for a leased photocopier. The lease obligation was secured by the related equipment. The term of the lease was 66 months, with monthly payments of \$145 plus applicable taxes. The capital lease obligation was extinguished during the year.

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# FEDERATION OF CANADIAN ARTISTS

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## NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

Unaudited

### Note 9 - In-kind Donations

|                               | 2021         | 2020          |
|-------------------------------|--------------|---------------|
|                               | \$           | \$            |
| Donated Artworks and supplies | 5,292        | 8,046         |
| Gallery Space Rent            | -            | 15,207        |
|                               | <b>5,292</b> | <b>23,253</b> |

### Note 10 - Government Assistance

The Society received a Canada Emergency Business Account (CEBA) expansion loan in the amount of \$20,000 during the year, in addition to a \$40,000 CEBA loan in the prior year. No principal repayment is required before December 31, 2023. Repaying the outstanding balance of the loan (other than the amount available to be forgiven) on or before December 31, 2023 will result in loan forgiveness of \$20,000. Interest of 0% per annum will apply until December 31, 2023. Should the loan remain outstanding after December 31, 2023, only interest payments of 5% per annum will be required until the full principal is due on December 31, 2025. The \$10,000 forgivable portion of the expansion loan has been recognized as grant revenue in the current year.

The Society received Canada Emergency Wage Subsidy total of \$14,480 in prior year. The Society also received a total of \$19,532 from the federal government for the Canada Summer Jobs program in 2021.

### Note 11 - Commitments

The Society renewed a lease for premises with Canada Mortgage and Housing Corporation (CMHC) commencing February 1, 2021 and expiring on January 31, 2023, with no further right of renewal. The minimum annual lease payments for the next two fiscal years are:

|      | \$            |
|------|---------------|
| 2022 | 15,903        |
| 2023 | 1,325         |
|      | <b>17,228</b> |

The Society also renewed another lease for other premises with Canada Mortgage and Housing Corporation (CMHC) commencing June 1, 2021 and expiring on May 31, 2023, with no further right of renewal. The minimum annual lease payments for the next two fiscal years are:

|      | \$            |
|------|---------------|
| 2022 | 19,609        |
| 2023 | 1,634         |
|      | <b>21,243</b> |

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

Unaudited

### Note 11 - Commitments (Continued)

The Society received rent relief in 2021 under the CMHC-Granville Island Covid-19 Rent Relief Program. Total rent credit for periods April 2020 to March 2021 received in year was \$39,923.

### Note 12 - 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.

The Society's financial statements do not include the financial activities of the Chapters. The Society may contribute \$100 to their start up. Sometimes the Society collects submission fees for online jurying and also collects donations 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:

|                             | 2021            | 2020     |
|-----------------------------|-----------------|----------|
|                             | \$              | \$       |
| <b>Revenues:</b>            |                 |          |
| Chapter Jury Fees           | <b>18,777</b>   | 33,611   |
| Donations for Chapters      | <b>1,000</b>    | -        |
|                             | <b>19,777</b>   | 33,611   |
| <b>Expenses:</b>            |                 |          |
| Chapter Show Reimbursements | <b>(16,412)</b> | (14,185) |
| Donation Transfers          | <b>(950)</b>    | -        |
| Chapter Outreach            | -               | (261)    |
|                             | <b>(17,362)</b> | (14,446) |

The amount of \$135 was due to one Chapter as at December 31, 2021. There are no special terms or conditions related to the amount due.

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

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# FEDERATION OF CANADIAN ARTISTS

## NOTES TO FINANCIAL STATEMENTS

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Unaudited

### **Note 13 - Financial Instruments**

The significant risks arising from financial instruments to which the Society is exposed as at December 31, 2021 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 loan payable. Cash flow from operations provides a substantial portion of the Society's cash requirements.

### **Note 14 - 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 \$2,250 to directors who worked as workshop instructors, and one employee was paid over \$75,000 in 2021.

### **Note 15 - 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 16 - COVID-19**

Due to COVID-19 restrictions, the Gallery closed in March 2020, all but two employees were laid off, and all workshops were postponed. The gallery reopened on May 25, 2020 as the COVID-19 restrictions were lifted, and employees were rehired. Since June of 2020, as a result of the pandemic, gallery and in-person workshop attendance has dramatically reduced and has remained between 10% and 30% of pre-COVID levels. Both live and pre-recorded online instruction was provided during the year, as well as in the prior year. Due to the pandemic, the annual retreat had to be cancelled in 2020, but was able to be held in September 2021. Despite COVID-19, overall business operations have improved due to a dramatic increase in online sales of artwork