

Highlights of Key Activities

- On February 3, 2005 the AFA launched the results of their Economic Impact of the Arts in Alberta research study in Calgary. The study, commissioned from Econometric Research Ltd., found that 481 arts organizations funded by the AFA in 2003/04 had an economic impact on Alberta's Gross Provincial Product of \$153.2 million. The study was positively received and gained media coverage for the arts and the AFA.
- The Alberta Film Development Program received an increase of \$2.5M in its budget for the fiscal year 2004/05 – bringing its total budget to \$13.5M for support to Alberta's indigenous film production community.
- The AFA's Centennial Committee worked throughout 2003/2004 to develop and recommend ways for the arts to be part of the province's centenary celebrations in 2005. Three projects have been initiated by the AFA, including Centennial exhibitions as part of the Travelling Exhibition Program, a 2005 video project related to the benefits of the arts and a Community Presenters Initiatives Program being administered by the Arts Touring Alliance of Alberta.
- The AFA continued its partnership with the Alberta Performing Arts Stabilization Fund (APASF). As part of this partnership, the AFA participates in joint meetings with the APASF and nine major performing arts organizations to evaluate financial and governance practices. When the APASF wraps up its business in 05/06, the AFA will assume responsibility for maintaining and continuing financial stability and governance models established by the Fund.
- The AFA Board held a board governance workshop in June 2004 as part of its annual planning process and its own development as an effective board. The workshop provided the AFA Board an opportunity to consider its governance role in setting policy for arts support and promotion in the province.

Arts Funding in 2004/05

- In 2004/2005, the AFA provided a total of 1,414 awards valued at \$30,671,000 to arts organizations and artists to support events and activities in the province (including 60 grants worth \$12,736,009 through the Alberta Film Development Program).

AFA Board Meetings in 2004/05

- In 2004/05, the AFA Board held a total of 6 meetings. The May 04, Dec 04 and March 05 meetings took place in Edmonton; the Sept 04 and Feb 05 in Calgary with the June 04 meeting in Westlock, which included a client reception.

The Alberta Foundation for the Arts (AFA) was formed in 1991. The AFA is the Province of Alberta's arts funding body that supports professional and community-based activities in the literary, new media, performing (dance, music and theatre) and visual arts. In addition, the AFA is responsible for the collection, maintenance and preservation of a provincial art collection of original Alberta art that has been actively collected since the mid-70s.

Funding for the Alberta Foundation for the Arts is provided through the Alberta Lottery Fund.

Alberta Foundation for the Arts

Financial Statements

March 31, 2005

**Alberta Foundation for the Arts
Financial Statements
March 31, 2005**

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Auditor's Report

To the Members of the Alberta Foundation for the Arts

I have audited the statement of financial position of the Alberta Foundation for the Arts (the Foundation) as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 auditing 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 Foundation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 19, 2005

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

**Alberta Foundation for the Arts
Statement of Operations
Year ended March 31, 2005
(thousands of dollars)**

	2005		2004
	Budget (Schedule 2)	Actual	Actual
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
- Operating	\$ 19,034	\$ 19,034	\$ 19,034
- Film Development Program	11,000	13,500	10,000
Investment Income	345	187	208
Other Revenue			
Miscellaneous	60	47	55
Donations of Artworks	145	191	119
	<u>30,584</u>	<u>32,959</u>	<u>29,416</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 4)			
Arts Promotion	12,734	12,633	12,518
Arts Support	2,867	2,872	2,828
Artist Development	1,860	1,952	2,134
Arts Participation	1,540	1,492	1,387
Administration	344	280	307
Collection, Preservation and Display of Provincial Artworks	250	241	226
	<u>19,595</u>	<u>19,470</u>	<u>19,400</u>
Film Development	<u>11,000</u>	<u>13,423</u>	<u>10,959</u>
	<u>30,595</u>	<u>32,893</u>	<u>30,359</u>
Net Operating Results	<u>\$ (11)</u>	66	(943)
Fund Balance, Beginning of Year		<u>1,106</u>	<u>2,049</u>
Fund Balance, End of Year		<u>\$ 1,172</u>	<u>\$ 1,106</u>

The accompanying notes and schedules are part of these financial statements.

Alberta Foundation for the Arts
Statement of Financial Position
As at March 31, 2005
(thousands of dollars)

	2005	2004
Assets		
Cash (Note 3)	\$ 1,825	\$ 2,937
Accrued Interest	15	15
Accounts Receivable (Note 4)	3	3
	1,843	2,955
Long Term Investments (Note 5)	467	467
Tangible Capital Assets (Note 6)	44	55
	\$ 2,354	\$ 3,477
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 715	\$ 1,904
Equity		
Fund Balance	1,172	1,106
General Reserve (Note 8)	467	467
	1,639	1,573
	\$ 2,354	\$ 3,477

The accompanying notes and schedules are part of these financial statements.

Alberta Foundation for the Arts
Statement of Cash Flows
Year ended March 31, 2005
(thousands of dollars)

	2005	2004
Operating Transactions		
Net Operating Results	\$ 66	\$ (943)
Non-cash Items		
Amortization of Tangible Capital Assets	11	9
	77	(934)
Decrease (Increase) in Accounts Receivable	-	248
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,189)	779
	(1,112)	93
Cash Provided by (Applied to) Operating Transactions		
Capital Transactions		
Acquisition of Tangible Capital Assets	-	(25)
Cash Applied to Capital Transactions	-	(25)
Increase (Decrease) in Cash	(1,112)	68
Cash, Beginning of Year	2,937	2,869
Cash, End of Year	\$ 1,825	\$ 2,937

The accompanying notes and schedules are part of these financial statements.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 1 Authority and Purpose

The Alberta Foundation for the Arts (Foundation) operates under the authority of the *Alberta Foundation for the Arts Act*, Chapter A-19, Revised Statutes of Alberta 2000.

The purposes of the Foundation are:

- To support and contribute to the development of literary, performing, visual and media arts in Alberta;
- To provide both individuals and organizations with opportunities to participate in the arts in Alberta;
- To promote the enjoyment of works of art by Alberta artists;
- To oversee the collection, preservation and display of works of art by Alberta artists; and
- To encourage artists living in Alberta in their work.

The Foundation is a crown agent of the Government of Alberta and as such has a tax exempt status.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all entities.

(a) Reporting Entity

The reporting entity is the Alberta Foundation for the Arts, which is part of the Ministry of Community Development (Ministry) and for which the Minister of Community Development (Minister) is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Revenues (continued)

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return.

Unrestricted donations are recognized as revenue when they are received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value at the date of donation, when fair value can reasonably be determined.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Foundation has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include amortization of tangible capital assets.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of the Foundation are disclosed in Schedule 4.

Artworks

Artworks are not recorded as assets. Purchases of artworks are expensed in the period in which the items are acquired. Donations of artworks and collection items are reported as revenue and expenses at their fair value when fair value can be determined. When fair value cannot be reasonably determined, these donations are recorded at nominal value.

Proceeds from the disposition of artworks can only be used to acquire other items to be added to the collection or for the direct care of existing artworks.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Basis of Financial Reporting (continued)

Assets

Financial assets of the Foundation are limited to financial claims, such as receivables from other organizations.

Tangible capital assets of the Foundation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other capital assets is \$5,000.

Investments

Investments are recorded at cost. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Liabilities

Liabilities represent all financial claims payable by the Foundation at fiscal year-end.

Fair Value

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accrued interest, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005

Note 3 Cash (thousands of dollars)

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of CCITF's earnings, which varies depending on prevailing market interest rates.

	2005	2004
Cash	\$ 1,992	\$ 3,104
Less Cash Appropriated for Non-Current Use	(167)	(167)
	\$ 1,825	\$ 2,937

Due to the short-term nature of these deposits, the carrying value approximates fair value.

Note 4 Accounts Receivable (thousands of dollars)

	2005		2004	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 3	\$ -	\$ 3	\$ 3

Accounts receivable are unsecured and non-interest bearing.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 5 Long Term Investments (thousands of dollars)

	2005			2004	
	Effective Annual Interest Rate	Cost	Market	Cost	Market
Deposits with Life Insurance Companies, Maturing in 2008 ^(a)	5.125%	\$ 300	\$ 300	\$ 300	\$ 300
Cash Appropriated for Non-current Use		167		167	
		\$ 467		\$ 467	

^(a) The deposits with life insurance companies can be realized prior to maturity dates only with the payment of penalties.

Note 6 Tangible Capital Assets (thousands of dollars)

	Estimated Useful Life	2005		2004	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Equipment and Software	4 years	\$ 33	\$ (33)	\$ -	\$ 5
Equipment	10 years	61	(17)	44	50
Office Furnishings	7 years	6	(6)	-	-
		\$ 100	\$ (56)	\$ 44	\$ 55

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 7 Artworks

The Alberta Foundation for the Arts actively collects visual artworks, which document the Province's significant visual artistic achievement. The collection is accessible to the public and consists of paintings, sculptures, drawings, photographs, ceramics, glass, fibre and prints. At year end, the collection consisted of approximately 7,381 (2004 – 7,148) artworks with an approximate value of \$8,329,000 (2004 – \$7,844,000). During the year, the Foundation purchased 147 (2004 – 108) artworks by Alberta artists at a total cost of \$295,150 (2004 – \$289,555); contributions to the collection included 81 (2004 – 114) artworks with an appraised value of \$189,940 (2004 – \$117,188). There were no artwork dispositions during the year (2004 – \$2,237).

Note 8 General Reserve

The general reserve has been established by appropriation from the fund balance. The reserve was established for the purpose of retaining an ongoing funding capability. Transfers from the reserve to the operating fund require board approval.

Interest earned on the cash appropriated for the reserve is reported as operating revenue.

Note 9 Contractual Obligations (thousands of dollars)

	2005	2004
Grant Agreements	\$ 25,643	\$ 17,084
Service Contracts	569	846
	\$ 26,212	\$ 17,930

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grant Agreements	Service Contracts	Total
2006	\$ 25,613	\$ 287	\$ 25,900
2007	-	282	282
	\$ 25,613	\$ 569	\$ 26,182

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2005**

Note 10 Honoraria (thousands of dollars)

	2005			2004	
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total	
Board ^(c)					
Chair	\$ 4	\$ -	\$ 4	\$	6
Other Members	28	-	28	\$	39
	\$ 32	\$ -	\$ 32	\$	45

(a) The Foundation has no employees. Staff of the Department of Community Development administers the Foundation. Disclosure of information on their salaries and benefits, a requirement under Treasury Directive 03/2004, is included in the financial statements of the Department of Community Development.

(b) No benefits were provided to Board members.

(c) Members appointed to the Foundation are paid honoraria for attending Foundation meetings at rates set by Ministerial Order. They are also paid for sub-committee meetings, to attend out-of-town meetings and for attending to other Foundation duties.

Note 11 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

Alberta Foundation for the Arts
Expenses – Directly Incurred Detailed by Object
Year ended March 31, 2005
(thousands of dollars)

	2005		2004
	Budget	Actual	Actual
Grants	\$ 28,652	\$ 30,671	\$ 28,307
Supplies and Services	655	956	969
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	737	737	622
Acquisition of Artworks	325	295	290
Donations of Artworks	145	191	117
Honoraria (Note 10)	70	32	45
Amortization of Tangible Capital Assets	11	11	9
	<u>\$ 30,595</u>	<u>\$ 32,893</u>	<u>\$ 30,359</u>

^(a) The Foundation receives financial and administrative services from the Department of Community Development.

**Alberta Foundation for the Arts
Budget
Year ended March 31, 2005
(thousands of dollars)**

	2004-2005 Estimates	Treasury Board Approval ^(a)	2004-2005 Authorized Budget
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
	\$ 30,034	\$ 2,500	\$ 32,534
Investment Income	345	-	345
Other Revenue			
Miscellaneous	60	-	60
Donations of Artworks	145	-	145
	<u>30,584</u>	<u>2,500</u>	<u>33,084</u>
Expenses – Directly Incurred			
Arts Promotion	12,734	-	12,734
Arts Support	2,867	-	2,867
Artist Development	1,860	-	1,860
Arts Participation	1,540	-	1,540
Administration	344	-	344
Collection, Preservation and Display of Provincial Artworks	250	-	250
	<u>19,595</u>	<u>-</u>	<u>19,595</u>
Film Development	<u>11,000</u>	<u>2,500</u>	<u>13,500</u>
	<u>30,595</u>	<u>2,500</u>	<u>33,095</u>
Net Operating Results	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ (11)</u>
Capital Investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

^(a) On August 4, 2004 Treasury Board approved a transfer of \$2.5 million from the Department of Community Development for the Alberta Film Development Program.

Alberta Foundation for the Arts
Related Party Transactions
Year ended March 31, 2005
(thousands of dollars)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

The Foundation paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Foundation had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Revenues				
Transfers from the Department of Community Development				
-Operating	\$ 19,034	\$ 19,034	\$ -	\$ -
-Film Development	13,500	10,000	-	-
	<u>\$ 32,534</u>	<u>\$ 29,034</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses – Directly Incurred				
Grants	\$ 125	\$ 106	\$ -	\$ -
Other Services	-	-	48	52
	<u>\$ 125</u>	<u>\$ 106</u>	<u>\$ 48</u>	<u>\$ 52</u>
Accounts Receivable	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Payable	<u>\$ 27</u>	<u>\$ 128</u>	<u>\$ 8</u>	<u>\$ 6</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Foundation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 4.

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses – Incurred by Others				
Accommodation	\$ -	\$ -	\$ 192	\$ 172
Legal Services	-	-	2	7
Other Services	475	526	-	-
	<u>\$ 475</u>	<u>\$ 526</u>	<u>\$ 194</u>	<u>\$ 179</u>

**Alberta Foundation for the Arts
Allocated Costs
Year ended March 31, 2005
(thousands of dollars)**

Program	2005				2004	
	Expenses – Incurred by Others				Total Expenses	Total Expenses
	Expenses ^(a)	Accommodation Costs ^(b)	Legal Services ^(c)	Other Services ^(d)		
Arts Promotion	\$ 12,633	\$ 7	\$ -	\$ 122	\$ 12,762	\$ 12,692
Arts Support	2,872	4	-	78	2,954	2,914
Artist Development	1,952	7	-	154	2,113	2,265
Arts Participation	1,492	3	-	53	1,548	1,500
Administration	280	3	-	35	318	323
Collection, Preservation and Display of Provincial Artworks	241	167	-	20	428	389
Film Development	13,423	1	2	13	13,439	10,981
	<u>\$ 32,893</u>	<u>\$ 192</u>	<u>\$ 2</u>	<u>\$ 475</u>	<u>\$ 33,562</u>	<u>\$ 31,064</u>

(a) Expenses – Directly Incurred as per Statement of Operations.

(b) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 3, allocated by square footage.

(c) Costs shown for Legal Services on Schedule 3, allocated by estimated costs incurred by each program.

(d) Costs shown for Other Services on Schedule 3, allocated by estimated costs incurred by each program.

