

Highlights of Key Activities

- In 2006/07, the AFA received a \$3.0 million increase to its funding – bringing its total budget to approximately \$22.6 million. The additional funding allowed the AFA to further meet the needs of Alberta's growing arts community.
- The Arts Branch and the AFA moved into its new home – the Capital Arts Building – officially on June 12, 2006. After months of conservation, repair and packing, the collection of the AFA moved into the facility in September 2006. Re-housing of the collections managed by the Arts Branch continued from September 2006 until March 2007. A client reception was held in September 2006 to introduce the new facility to the arts community and other stakeholders.
- From June to August 2006, Alberta was featured at the annual Smithsonian Folklife Festival and Alberta Week in Washington, DC. The AFA supported festival and ancillary programming in the performing and visual arts to ensure Alberta's arts scene was well represented in the US capital region.
- In September 2006, the AFA launched an action plan to enhance its support of Aboriginal arts in the province. The plan included the hiring of an Aboriginal Outreach Coordinator on an 8-month contract, the introduction of a pilot grant program for arts organizations and information sessions/workshops targeted specifically to Aboriginal artists to increase awareness of AFA programming and encourage applications. In 2006/07, the AFA provided \$95,205 to Aboriginal arts organizations through its pilot program – with support of \$50,000 from the Ministry of Aboriginal Affairs and Northern Development.
- Also in September, the AFA officially kick-started a comprehensive program evaluation of all of its grant programs. The evaluation process will take up to 3-years to complete and will involve consultation with AFA clients and stakeholders throughout this period.

Arts Funding in 2006/07

- In 2006/07, the AFA distributed 1,307 grants valued at \$19,964,273. This represents 91% of the AFA's total 2006/07 budget being provided directly in awards to arts organizations, artists and community groups that provide arts activities, events and experiences to Albertans throughout the province.

AFA Board Meetings in 2006/07

- A total of 5 Board meetings were held in 2006/07. Meetings were held in May 06, Sept 06 and Nov 06 in Edmonton; the June 06 meeting was held in Red Deer (including a community reception) and the Feb 07 meeting took place in Calgary.

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, 2007

**Alberta Foundation for the Arts
Financial Statements
March 31, 2007**

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Auditor's Report

To the Members of the Alberta Foundation for the Arts and the Minister of Tourism, Parks, Recreation and Culture:

I have audited the statement of financial position of Alberta Foundation for the Arts as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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, 2007 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 18, 2007

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, 2007
(thousands of dollars)

	2007		2006
	Budget	Actual	Actual Restated (Note 3)
Revenues			
Internal Government Transfers			
Transfers from the Department of Tourism, Parks, Recreation and Culture	\$ 22,084	\$ 22,084	\$ 20,311
Transfers from the Government of Canada	-	-	10
Investment Income	345	413	379
Other Revenue			
Miscellaneous	60	104	41
Donations of Artworks	145	90	67
	<u>22,634</u>	<u>22,691</u>	<u>20,808</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 3)			
Arts Creation and Production	8,851	8,672	8,164
Arts Promotion	5,227	5,903	5,359
Arts Participation	5,175	4,605	4,738
Art Collection and Display	3,067	2,972	2,275
Administration	320	306	271
	<u>22,640</u>	<u>22,458</u>	<u>20,807</u>
Net Operating Results	<u>\$ (6)</u>	233	1
Fund Balance, Beginning of Year		<u>1,096</u>	<u>1,095</u>
Fund Balance, End of Year		<u>\$ 1,329</u>	<u>\$ 1,096</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, 2007
(thousands of dollars)**

	2007	2006 Restated (Note 3)
Assets		
Cash and Short-Term Investments (Note 4)	\$ 1,973	\$ 1,570
Accrued Interest	15	15
Accounts Receivable (Note 5)	6	22
	1,994	1,607
Cash and Short-Term Investments Appropriated for Non-Current Use (Note 4)	467	467
Tangible Capital Assets (Note 6)	228	38
	\$ 2,689	\$ 2,112
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 893	\$ 549
Fund Balances		
Unrestricted	1,329	1,096
General Reserve (Note 8)	467	467
	1,796	1,563
	\$ 2,689	\$ 2,112

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

**Alberta Foundation for the Arts
Statement of Cash Flows
Year ended March 31, 2007
(thousands of dollars)**

	2007	2006 Restated (Note 3)
Operating Transactions		
Net Operating Results	\$ 233	\$ 1
Non-cash Items included in Net Operating Results		
Amortization of Tangible Capital Assets	17	6
	250	7
Decrease (Increase) in Accounts Receivable	16	(19)
Increase in Accounts Payable and Accrued Liabilities	344	289
Cash Provided by Operating Transactions	610	277
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 6)	(207)	-
Increase in Cash	403	277
Cash, Beginning of Year	1,570	1,293
Cash, End of Year	\$ 1,973	\$ 1,570

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, 2007**

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

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

The reporting entity is the Alberta Foundation for the Arts, which is part of the Ministry of Tourism, Parks, Recreation and Culture (Ministry) and for which the Minister of Tourism, Parks, Recreation and Culture (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. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Donations are recognized as revenues 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.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2007**

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.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

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's operations are disclosed in Schedule 3.

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, 2007**

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.

Assets acquired by right are not included. 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 are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

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 accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2007**

Note 3 Government Reorganization (thousands of dollars)

Effective April 1, 2006, the Alberta Government approved transfer of responsibility for the Alberta Film Development Program to the Department of Tourism, Parks, Recreation and Culture along with a budget of \$13.5 million.

Comparatives for 2006 have been restated as if the Foundation had always been assigned with its current responsibilities.

Total assets as previously reported at March 31, 2006	\$ 2,788
Transfer to Department of Tourism, Parks, Recreation and Culture	<u>(676)</u>
Total assets as restated at April 1, 2006	<u>\$ 2,112</u>

Note 4 Cash and Short -Term Investments Appropriated for Non - Current Use (thousands of dollars)

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed 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. As at March 31, 2007, securities held by CCITF have an average effective market yield of 4.36% (2006 – 3.96%) per annum.

Short-term investments consist of deposits in the amount of \$300 (2006 - \$300) with life insurance companies maturing April 4, 2008.

Cash and short-term investments in the amount of \$467 (2006 - \$467) has been internally restricted and is therefore not available to pay for operating expenses of the Foundation (Note 8).

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

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2007**

Note 5 Accounts Receivable (thousands of dollars)

	2007		2006	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 6	\$ -	\$ 6	\$ 22

Accounts receivable are unsecured and non-interest bearing.

Note 6 Tangible Capital Assets (thousands of dollars)

	Equipment	Computer Hardware and Software	2007 Total	2006 Total
	10 years	4 years		
Estimated Useful Life	10 years	4 years		
Historical Cost				
Beginning of Year	\$ 67	\$ 33	\$ 100	\$ 100
Additions	207	-	207	-
Disposals	(6)	-	(6)	-
	<u>\$ 268</u>	<u>\$ 33</u>	<u>\$ 301</u>	<u>\$ 100</u>
Accumulated Amortization				
Beginning of Year	\$ 29	\$ 33	\$ 62	\$ 56
Amortization Expense	17	-	17	6
Effect of Disposal	(6)	-	(6)	-
	<u>\$ 40</u>	<u>\$ 33</u>	<u>\$ 73</u>	<u>\$ 62</u>
Net Book Value at March 31, 2007	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 228</u>	
Net Book Value at March 31, 2006	<u>\$ 38</u>	<u>\$ -</u>		<u>\$ 38</u>

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2007**

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 7,511 (2006 – 7,434) artworks with an approximate value of \$9,103,000 (2006 – \$8,672,000). During the year, the Foundation purchased 48 (2006 – 29) artworks by Alberta artists at a total cost of \$340,500 (2006 – \$276,000); contributions to the collection included 29 (2006 – 24) artworks with an appraised value of \$90,250 (2006 – \$66,900). There were no (2006 – 2) artwork dispositions during the year.

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)

	2007	2006 (Restated)
Grant Agreements	\$ 6,905	\$ 8,180
Service Contracts	34	282
	\$ 6,939	\$ 8,462

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

	Grant Agreements	Service Contracts	Total
2008	\$ 6,905	\$ 34	\$ 6,939
	\$ 6,905	\$ 34	\$ 6,939

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2007**

Note 10 Honoraria (thousands of dollars)

	2007			2006	
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total	
Board ^(c)					
Chair	\$ 10	\$ -	\$ 10	\$	5
Other Members	27	-	27		26
	\$ 37	\$ -	\$ 37	\$	31

^(a) The Foundation has no employees. Staff of the Department of Tourism, Parks, Recreation and Culture 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 Tourism, Parks, Recreation and Culture.

^(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, 2007
(thousands of dollars)

	2007		2006
	Budget	Actual	Actual (Restated)
Grants	\$ 19,843	\$ 19,964	\$ 18,972
Supplies and Services	1,289	1,044	803
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	957	957	594
Acquisition of Artworks	350	349	334
Donations of Artworks	145	90	67
Honoraria (Note 10)	50	37	31
Amortization of Tangible Capital Assets	6	17	6
	\$ 22,640	\$ 22,458	\$ 20,807

^(a) The Foundation receives financial and program related administrative services from the Department of Tourism, Parks, Recreation and Culture.

Alberta Foundation for the Arts
Related Party Transactions
Year ended March 31, 2007
(thousands of dollars)

Related parties are those entities consolidated or accounted for on the 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	
	2007	2006	2007	2006
Revenues				
Transfers from the Department of Tourism, Parks, Recreation and Culture	\$ 22,084	\$ 20,311	\$ -	\$ -
Expenses – Directly Incurred				
Grants	\$ 123	\$ 122	\$ -	\$ -
Other Services	-	-	13	33
	<u>\$ 123</u>	<u>\$ 122</u>	<u>\$ 13</u>	<u>\$ 33</u>
Accounts Receivable	\$ -	\$ 21	\$ -	\$ -
Accounts Payable	\$ 3	\$ 3	\$ -	\$ -

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 but are disclosed in Schedule 3.

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006
Expenses – Incurred by Others				
Other Services	\$ 225	\$ 478	\$ -	\$ -
Accommodation	-	-	492	193
Legal	-	-	6	7
Internal Audit	-	-	-	3
	<u>\$ 225</u>	<u>\$ 478</u>	<u>\$ 498</u>	<u>\$ 203</u>

Alberta Foundation for the Arts
Allocated Costs
Year ended March 31, 2007
(thousands of dollars)

Program	2007				2006	
	Expenses ^(a)	Expenses – Incurred by Others			Total Expenses	Total Expenses (Restated)
		Accommodation Costs ^(b)	Other Services ^(c)	Legal Services ^(d)		
Arts Creation and Production	\$ 8,672	\$ 11	\$ 49	\$ -	\$ 8,732	\$ 8,247
Arts Promotion	5,903	14	50	6	5,973	5,480
Arts Participation	4,605	14	56	-	4,675	4,871
Art Collection and Display	2,972	443	34	-	3,449	2,530
Administration	306	10	36	-	352	345
	<u>\$ 22,458</u>	<u>\$ 492</u>	<u>\$ 225</u>	<u>\$ 6</u>	<u>\$ 23,181</u>	<u>\$ 21,473</u>

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

(b) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 2, allocated by square footage.

(c) Costs shown for Other Services on Schedule 2, allocated by estimated costs incurred by each program.

(d) Costs shown for Legal Services on Schedule 2, allocated by estimated costs incurred by each program.