



Highlights of Key Activities

- Throughout 2002/03, the AFA developed a new Strategic Plan (2003-2006). This included consultations with AFA clients and stakeholders throughout the province. The new vision of the AFA is: *"An Alberta where a vibrant arts community inspires creativity and innovation and is part of the fabric of how we live and work."*
- 2002/03 marked the inaugural year for a partnership between the AFA and the Alberta Performing Arts Stabilization Fund (APASF). The AFA will work with the APASF to help establish and support healthy and sustainable performing arts organizations by promoting good board governance practices.
- As part of its priority to maintain strong ties to the arts community, the AFA hosted a client reception to coincide with its Board meeting in Rocky Mountain House in Sept 02. The reception was attended by more than 50 clients from the region reaching as far away as Lacombe.
- Two new funding programs were introduced in 2002/03 to more effectively support arts activities in education. Following consultations with schools, the Artists & Education Grant Program was implemented (151 grants valued at \$381,861 were awarded in 02/03). The program allows schools recognized by Alberta Learning to apply for funding to support a professional artist in the classroom. Activities have curriculum ties and the arts are used to enhance learning. To support the arts at the post-secondary level, the Post-Secondary Institution Grant Program was introduced (a total of \$301,000 was awarded to 13 institutions in 02/03). Universities and colleges throughout Alberta are eligible to apply for funding to support arts activities.
- The AFA's partnership with the Alberta Sport, Recreation, Parks & Wildlife Foundation continued in 2002/03 in support of the Arts Component of the Alberta Future Leaders Program. This partnership provides funding for Arts Camp Youth Workers to visit Aboriginal communities throughout the province.
- The AFA supported a new summer school in film and video coordinated by Red Deer College in summer 2002. This joins the four other summer schools supported by the AFA that provide opportunities for youth to experience the arts – ArtsTrek (theatre), Musicamp (music), Summerscapes (visual arts) and YouthWrite (writing).

Arts Funding in 2002/03

- In 2002/03, the AFA provided 1,233 awards valued at \$18,747,717 to arts organizations and artists to support arts events and activities. This includes 42 grants through the Alberta Film Development Program valued at \$3,527,872

AFA Board Meetings in 2002/03

- In 2002/03, a total of 7 Board meetings were held by the AFA. The May & Nov 02 and March 03 meetings took place in Edmonton; while the June 02 meeting was in Devon, the Sept 02 meeting in Rocky Mountain House (including client reception) and the Dec 02 and Feb 03 meetings 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, 2003

**Alberta Foundation for the Arts
Financial Statements
March 31, 2003**

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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 as at March 31, 2003 and the statements of operations and changes in financial position 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, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
May 23, 2003

Original Signed by Fred J. Dunn, FCA
Auditor General

**Alberta Foundation for the Arts
Statement of Operations
For the year ended March 31, 2003**

	2003		2002
	Budget (Schedule 2)	Actual	Actual
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
- Operating	\$ 16,104,000	\$ 16,354,000	\$ 15,880,000
- Film Development Program	5,000,000	5,000,000	5,000,000
Investment Income	200,000	210,623	295,208
Other Revenue			
Miscellaneous	30,000	50,591	72,396
Donations of Artworks	100,000	112,975	387,822
	<u>21,434,000</u>	<u>21,728,189</u>	<u>21,635,426</u>
Expenses – Directly Incurred (Note 2b and Schedules 1 and 4)			
Arts Promotion	10,798,000	11,191,368	11,506,662
Arts Support	2,139,000	2,299,607	1,755,817
Artist Development	1,331,000	1,440,500	1,318,920
Arts Participation	1,737,000	1,298,756	1,848,850
Administration	306,000	328,878	206,632
Collection, Preservation and Display of Provincial Artworks	132,000	121,259	80,113
	<u>16,443,000</u>	<u>16,680,368</u>	<u>16,716,994</u>
Film Development	<u>5,000,000</u>	<u>3,677,345</u>	<u>5,688,292</u>
	<u>21,443,000</u>	<u>20,357,713</u>	<u>22,405,286</u>
Net Operating Results	<u>\$ (9,000)</u>	1,370,476	(769,860)
Fund Balance at Beginning of Year		<u>678,548</u>	<u>1,448,408</u>
Fund Balance at End of Year		<u>\$ 2,049,024</u>	<u>\$ 678,548</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, 2003**

	2003	2002
Assets		
Cash (Note 3)	\$ 2,868,996	\$ 3,863,168
Accrued Interest	15,207	15,207
Accounts Receivable (Note 4)	250,541	20,903
	3,134,744	3,899,278
Long term Investments (Note 5)	466,746	466,746
Capital Assets (Note 6)	38,546	47,115
	\$ 3,640,036	\$ 4,413,139
Liabilities and Equity		
Accounts Payable and Accrued Liabilities	\$ 1,124,266	\$ 3,267,845
Equity		
Fund Balance	2,049,024	678,548
General Reserve (Note 8)	466,746	466,746
	2,515,770	1,145,294
	\$ 3,640,036	\$ 4,413,139

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

**Alberta Foundation for the Arts
Statement of Changes in Financial Position
For the year ended March 31, 2003**

	2003	2002
Operating Transactions		
Net Operating Results	\$ 1,370,476	\$ (769,860)
Non-cash Items		
Amortization of Capital Assets	8,569	8,568
	1,379,045	(761,292)
Increase in Accounts Receivable	(229,638)	(19,511)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(2,143,579)	2,092,916
Cash Provided by (Used by) Operating Transactions	(994,172)	1,312,113
Increase (Decrease) in Cash	(994,172)	1,312,113
Cash at Beginning of Year	3,863,168	2,551,055
Cash at End of Year	\$ 2,868,996	\$ 3,863,168

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

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the year ended March 31, 2003**

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. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Alberta Foundation for the Arts, which is part of the Ministry of Community Development and for which the Minister of Community Development 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
For the year ended March 31, 2003**

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 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
For the year ended March 31, 2003**

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.

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 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 book values.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the year ended March 31, 2003**

Note 3 Cash

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 maximum 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 five 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.

	2003	2002
Cash	\$ 3,035,742	\$ 4,029,914
Less Cash Appropriated for Non-Current Use	(166,746)	(166,746)
	\$ 2,868,996	\$ 3,863,168

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

Note 4 Accounts Receivable

	2003		2002	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 250,541	\$ -	\$ 250,541	\$ 20,903

Accounts receivable are unsecured and non-interest bearing.

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the year ended March 31, 2003**

Note 5 Long Term Investments

	2003		2002		
	Effective Annual Interest Rate	Cost	Market	Cost	Market
Deposits with Life Insurance Companies, maturing in five years ^(a)	5.125%	\$ 300,000	<u>\$ 300,000</u>	\$ 300,000	<u>\$ 300,000</u>
Cash Appropriated for Non-current Use		<u>166,746</u>		<u>166,746</u>	
		<u>\$ 466,746</u>		<u>\$ 466,746</u>	

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

Note 6 Capital Assets

	Estimated Useful Life	2003		2002	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	4 years	\$ 33,103	\$ (23,103)	\$ 10,000	\$ 15,000
Equipment	10 years	35,683	(7,137)	28,546	32,115
Office Furnishings	7 years	5,533	(5,533)	-	-
		<u>\$ 74,319</u>	<u>\$ (35,773)</u>	<u>\$ 38,546</u>	<u>\$ 47,115</u>

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the year ended March 31, 2003**

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 6,939 (2002 – 6781) artworks with an approximate value of \$7,439,000 (2002 – \$7,072,250). During the year, the Foundation purchased 110 (2002 – 215) artworks by Alberta artists at a total cost of \$249,955 (2002 – \$216,594); contributions to the collection included 47 (2002 – 43) artworks with an appraised value of \$112,975 (2002 – \$387,675). There were 4 artwork disposals during the year \$1,307 (2002 – \$95).

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 Commitments

At March 31, 2003, the Foundation has the following commitments for grants approved but not expended, pending fulfillment of eligibility conditions.

	2003	2002
2002-2003	\$ -	\$ 10,932,575
2003-2004	16,956,908	1,105,443
2004-2005	2,353,246	-
	\$ 19,310,154	\$ 12,038,018

**Alberta Foundation for the Arts
Notes to the Financial Statements
For the year ended March 31, 2003**

Note 10 Honoraria

	2003		2002	
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total
Board^(c)				
Chair	\$ 8,933	\$ -	\$ 8,933	\$ 3,512
Other Members	33,100	-	33,100	18,267
	<u>\$ 42,033</u>	<u>\$ -</u>	<u>\$ 42,033</u>	<u>\$ 21,779</u>

- (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 12/98, 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 Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 12 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

**Alberta Foundation for the Arts
Expenses – Directly Incurred by Object
For the year ended March 31, 2003**

	2003		2002
	Budget	Actual	Actual
Grants	\$ 20,043,000	\$ 18,747,717	\$ 20,933,795
Supplies and Services	454,000	639,465	410,415
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	557,000	557,000	391,000
Acquisition of Artworks	250,000	249,955	216,594
Donations of Artworks	100,000	112,975	387,675
Honoraria (Note 10)	30,000	42,033	21,779
Amortization	9,000	8,568	8,568
Other	-	-	35,460
	<u>\$ 21,443,000</u>	<u>\$ 20,357,713</u>	<u>\$ 22,405,286</u>

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

**Alberta Foundation for the Arts
Budget
For the year ended March 31, 2003**

	2002-2003 Estimates ^(a)	Treasury Board Approval	2002-2003 Authorized Budget
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
	\$ 21,104,000	\$ -	\$ 21,104,000
Investment Income	200,000	-	200,000
Other Revenue		-	
Miscellaneous	30,000		30,000
Donations of Artworks	100,000	-	100,000
	<u>21,434,000</u>	<u>-</u>	<u>21,434,000</u>
Expenses – Directly Incurred			
Arts Promotion	10,798,000	-	10,798,000
Arts Support	2,139,000	-	2,139,000
Artist Development	1,331,000	-	1,331,000
Arts Participation	1,737,000	-	1,737,000
Administration	306,000	-	306,000
Collection, Preservation and Display of Provincial Artworks	132,000	-	132,000
	<u>16,443,000</u>	<u>-</u>	<u>16,443,000</u>
Film Development	5,000,000	-	5,000,000
	<u>21,443,000</u>	<u>-</u>	<u>21,443,000</u>
Net Operating Results	<u>\$ (9,000)</u>	<u>\$ -</u>	<u>\$ (9,000)</u>
Capital Investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

^(a) The budget was approved by the Board of Directors on June 26, 2002.

**Alberta Foundation for the Arts
Related Party Transactions
For the year ended March 31, 2003**

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 financial statements at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Revenues:				
Transfers from the Department of Community Development				
-Operating	\$ 16,354,000	\$ 15,880,000	\$ -	\$ -
-Film Development	5,000,000	5,000,000	-	-
-Donation of Artworks	-	174,000	-	-
	<u>\$ 21,354,000</u>	<u>\$ 21,054,000</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses – Directly Incurred				
Grants	\$ 125,000	\$ 125,000	\$ -	\$ -
Other services	-	-	42,521	37,830
	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 42,521</u>	<u>\$ 37,830</u>
Accounts Receivable	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Payable	<u>\$ 13,066</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ -</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	
	2003	2002	2003	2002
Expenses – Incurred by Others				
Accommodation	\$ -	\$ -	\$ 185,794	\$ 172,468
Legal Services	-	-	83	360
Other Services	512,860	595,829	-	-
	<u>\$ 512,860</u>	<u>\$ 595,829</u>	<u>\$ 185,877</u>	<u>\$ 172,828</u>

**Alberta Foundation for the Arts
Allocated Costs
For the year ended March 31, 2003**

Program	2003				2002	
	Expenses ^(a)	Expenses – Incurred by Others			Total Expenses	Total Expenses
	Expenses ^(a)	Accommodation Costs	Legal Costs	Other Services	Total Expenses	Total Expenses
Arts Promotion	\$ 11,191,368	\$ 9,315	\$ -	\$ 164,477	\$ 11,365,160	\$ 11,695,485
Arts Support	2,299,607	4,943	-	79,967	2,384,517	1,845,120
Artist Development	1,440,500	6,854	-	120,816	1,568,170	1,432,968
Arts Participation	1,298,756	6,253	-	105,478	1,410,487	1,997,960
Administration	328,878	1,205	83	15,162	345,328	222,290
Collection, Preservation and Display of Provincial Artworks	121,259	156,114	-	13,846	291,219	242,850
Film Development	3,677,345	1,110	-	13,114	3,691,569	5,737,271
	<u>\$ 20,357,713</u>	<u>\$ 185,794</u>	<u>\$ 83</u>	<u>\$ 512,860</u>	<u>\$ 21,056,450</u>	<u>\$ 23,173,944</u>

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

