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BC Festival of the Arts Society
Financial Statements
August 31, 2001

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Auditors' Report

To the Members of
BC Festival of the Arts Society

We have audited the statement of financial position of BC Festival of the Arts Society as at August 31, 2001 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 common with many charitable organizations, the Society derives revenue from the general public in the form of donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donation revenues, net revenue, assets and net assets.

In our opinion, except for the effect of the potential adjustments which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Victoria, Canada
October 9, 2001



Chartered Accountants

BC Festival of the Arts Society Statement of Operations

Year Ended August 31	2001	2000
		(Note 8)
Revenue		
Donations (Note 2(c))	\$ 41,971	\$ 41,137
Federal grants	40,351	8,378
Grant from the Province of British Columbia	750,000	850,000
Interest	5,489	5,943
Other	5,896	19,362
Program registration fees	<u>27,571</u>	<u>49,246</u>
	<u>871,278</u>	<u>974,066</u>
Expenditures		
Advertising and promotion	40,766	60,799
Delegate travel	18,155	24,648
Host community (Note 3)	257,140	293,107
Loss on disposal of assets	-	3,138
Office	51,625	52,995
Professional artists and programs	194,665	157,647
Provincial Arts Service Organizations	41,100	42,000
Rent and storage	37,541	36,185
Special projects	6,244	10,169
Staff and board travel	86,168	82,707
Staff salaries and wages	180,405	179,804
Stationery and supplies	10,193	9,245
Utilities	<u>13,363</u>	<u>13,409</u>
	<u>937,365</u>	<u>965,853</u>
(Deficiency) excess of revenue over expenditures	\$ <u>(66,087)</u>	\$ <u>8,213</u>

See accompanying notes to the financial statements.

BC Festival of the Arts Society
Statement of Changes in Net Assets

Year Ended August 31

2001

2000

	Invested in Capital Assets	Endowment Fund	Operating Fund	Total	Total
Balance, beginning of year	\$ 16,787	\$ -	\$ (91,486)	\$ (74,699)	\$ (78,793)
(Deficiency) excess of revenue over expenditures		-	(66,087)	(66,087)	8,213
Amortization expense	(4,777)	-	-	(4,777)	(4,119)
Interfund transfers	-	2,500	(2,500)	-	-
Endowment contributions	-	700	-	700	-
Endowment interest	-	89	-	89	-
Balance, end of year	\$ 12,010	\$ 3,289	\$ (160,073)	\$ (144,774)	\$ (74,699)

See accompanying notes to the financial statements.

BC Festival of the Arts Society

Statement of Financial Position

August 31

2001

2000

	Invested in Capital Assets	Endowment Fund	Operating Fund	Total	Total
Assets					
Current					
Cash and term deposits	\$ -	\$ -	\$ 20,148	\$ 20,148	\$ 5,018
Receivables (Note 3)	-	-	12,284	12,284	11,658
Prepays	-	-	2,215	2,215	5,538
Deposits	-	-	4,083	4,083	750
Interfund receivable	-	3,289	-	3,289	-
	-	3,289	38,730	42,019	22,964
Capital assets (Note 2(a))	49,779	-	-	49,779	49,779
Less accumulated amortization	37,769	-	-	37,769	32,992
	12,010	-	-	12,010	16,787
	\$ 12,010	\$ 3,289	\$ 38,730	\$ 54,029	\$ 39,751

Liabilities

Current

Payables and accruals	\$ -	\$ -	\$ 44,401	\$ 44,401	\$ 47,137
Interfund payable	-	-	3,289	3,289	-
Grants payable (Note 4)	-	-	41,113	41,113	42,313
Deferred grant revenue (Note 5)	-	-	110,000	110,000	25,000
	-	-	198,803	198,803	114,450

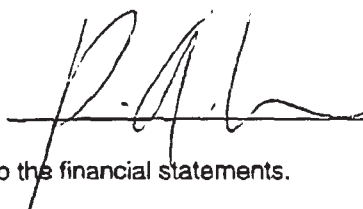
Net Assets

Invested in capital assets	12,010	-	-	12,010	16,787
Endowment fund	-	3,289	-	3,289	-
Operating	-	-	(160,073)	(160,073)	(91,486)
	12,010	3,289	(160,073)	(144,774)	(74,699)
	\$ 12,010	\$ 3,289	\$ 38,730	\$ 54,029	\$ 39,751

Commitments (Note 6)

On behalf of the Board

Director



Director

See accompanying notes to the financial statements.

BC Festival of the Arts Society

Notes to the Financial Statements

August 31, 2001

1. Purpose of the Society

The BC Festival of the Arts Society exists to produce, on behalf of the provincial government, a multidiscipline arts festival in partnership with a host municipality, which advances the artistic development of promising artists in British Columbia and advances regional participation in the arts of British Columbia.

2. Summary of significant accounting policies

(a) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their estimated fair value at the date of contribution.

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Computer equipment	30%, declining balance
Furniture and office equipment	25%, declining balance

(b) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(c) Donations-in-kind

The Society records donated materials, services and facilities in those cases where:

- the Society controls the way they are used;
- there is a measurable basis for arriving at fair value; and
- the services are essential services, which would normally be purchased and paid for if not donated.

The amount of such donations during the year ended August 31, 2001 was \$16,971 (2000: \$16,062).

BC Festival of the Arts Society Notes to the Financial Statements

August 31, 2001

2. Summary of significant accounting policies (continued)

(d) Statement of cash flows

A statement of cash flows has not been prepared as it would not provide any additional meaningful information.

3. Host Community Receivable

The 2001 Festival was held in Fort St. John, British Columbia. The Fort St. John Festival incurred an accounting surplus, 50% of which is owing to the BC Festival of the Arts Society. The total amount owing to the BC Festival of the Arts Society from the Fort St. John Festival at August 31, 2001 is \$6,393 and is included in receivables at year end.

4. Grants payable

Grants payable includes \$28,264 payable to the 1997 Powell River Festival for legacy funding.

5. Deferred contributions

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent year. Changes in the deferred contributions balance are as follows:

	<u>2001</u>	<u>2000</u>
Beginning balance, related to operating funding	\$ 25,000	\$ 102,900
Add amount received related to the following year	110,000	25,000
Deduct amount related to current year	<u>(25,000)</u>	<u>(102,900)</u>
Ending balance, related to operating funding	\$ <u>110,000</u>	\$ <u>25,000</u>

6. Commitments

The Company has entered into operating lease agreements for its premises. The minimum annual payments under such leases, net of charitable donation rent subsidization, are as follows:

Year ended August, 2002	\$ 25,000
Year ended August, 2003	<u>6,125</u>
	\$ <u>31,125</u>

BC Festival of the Arts Society

Notes to the Financial Statements

August 31, 2001

7. Economic dependence

Since 1997, the Society has been operating with an accumulated deficit and working capital deficiency. The Society receives a substantial amount of its funding from government sources. In light of recent government cutbacks the future viability of the Society is uncertain. In order to maintain operations at current service levels the Society is dependent upon this source, or an alternate source, of funding.

8. Comparative figures

Certain 2000 comparative information has been reclassified to conform to the presentation adopted in the current year.
