

FINANCIA

L *S T A T E M E N T S*

MANITOBA ARTS COUNCIL FINANCIAL STATEMENTS FOR THE YEAR *ENDED MARCH 31, 2002*

FINANCIAL

S T A T E M E N T S

June 6, 2002

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's estimates and judgements where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2002 have been audited by BDO Dunwoody LLP in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Council, through its Finance Committee, carries out its responsibility for the review and approval of the financial statements and the Annual Report. The Finance Committee reports to Council who approves these financial statements and the Annual Report prior to release.



DOUGLAS RISKE
EXECUTIVE DIRECTOR



525-93 Lombard Avenue
Winnipeg, Manitoba
Canada R3B 3B1
(204) 945-2237
Fax (204) 945-5925

525-93 avenue Lombard
Winnipeg, Manitoba
Canada R3B 3B1
(204) 945-2237
Fax (204) 945-5925



BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone: (204) 956-7200
Telefax: (204) 926-7201

Auditors' Report

To the Members of the Board
Manitoba Arts Council

We have audited the statement of financial position of **Manitoba Arts Council** as at March 31, 2002 and the statements of revenues, expenditures and fund balance for the Grants and Programs Fund and Bridges Fund for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2002 and the results of its operations and its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2002

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

FINANCIAL STATEMENTS

MANITOBA ARTS COUNCIL STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2002

ASSETS				
	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
CURRENT				
Cash and investments <i>(note 3)</i>	\$1,541,885	-	\$1,541,885	\$1,618,479
Accrued interest income	27,485	-	27,485	31,045
Accounts receivable	46,559	-	46,559	3,150
Recoverable, Province of Manitoba <i>(note 12)</i>	36,000	-	36,000	36,000
Prepaid expenses	1,512	-	1,512	9,792
	<u>1,653,441</u>	<u>-</u>	<u>1,653,441</u>	<u>1,698,466</u>
Long term investment <i>(note 4)</i>	500,000	-	500,000	500,000
Musical instruments	104,796	-	104,796	104,796
Works of visual art	344,226	-	344,226	344,226
Capital assets <i>(note 5)</i>	42,772	-	42,772	45,410
Interfund balances	(902,426)	902,426	-	-
TOTAL ASSETS	<u>\$1,742,809</u>	<u>\$902,426</u>	<u>\$2,645,235</u>	<u>\$2,692,898</u>

LIABILITIES & FUND BALANCES				
	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	141,762	19,018	160,780	138,668
Commitments for grants and programs	968,286	387,920	1,356,206	1,418,932
Deferred grant revenue <i>(note 7)</i>	5,000	478,980	483,980	350,000
	<u>1,115,048</u>	<u>885,918</u>	<u>2,000,966</u>	<u>1,907,600</u>
Investments in musical instruments and works of visual art	449,022	-	449,022	449,022
	<u>1,564,070</u>	<u>885,918</u>	<u>2,449,988</u>	<u>2,356,622</u>
FUND BALANCES				
Invested in capital assets	42,772	-	42,772	45,410
Unrestricted	135,967	16,508	152,475	290,866
	<u>178,739</u>	<u>16,508</u>	<u>195,247</u>	<u>336,276</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,742,809</u>	<u>\$902,426</u>	<u>\$2,645,235</u>	<u>\$2,692,898</u>

On behalf of Council

CHAIR

EXECUTIVE DIRECTOR

MANITOBA ARTS COUNCIL STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2002

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
REVENUES				
Province of Manitoba - Operating Grant <i>(note 9)</i>	\$7,317,300	-	\$7,317,300	\$7,317,300
Province of Manitoba - Bridges Grant	-	\$746,020	746,020	761,228
Investment income	114,562	-	114,562	176,156
Other	720	-	720	-
	<u>7,432,582</u>	<u>746,020</u>	<u>8,178,602</u>	<u>8,254,684</u>

EXPENDITURES

ORGANIZATIONS

Annual/Operating Grants

Arts Training Schools	141,000	7,000	148,000	148,000
Arts Service Organizations	172,500	8,625	181,125	177,975
Dance Companies	885,000	43,750	928,750	917,725
Music Organizations	1,224,500	57,175	1,281,675	1,265,484
Theatre Companies	1,343,000	67,150	1,410,150	1,408,575
Visual Arts Organizations	601,500	30,075	631,575	601,475
Book Publishers	194,000	9,699	203,699	203,700
Periodical Publishers	201,000	10,050	211,050	211,050
	<u>4,762,500</u>	<u>233,524</u>	<u>4,996,024</u>	<u>4,933,984</u>
Management & Governance	-	76,020	76,020	-
Presentation Grants	189,827	45,000	234,827	162,049
	<u>4,952,327</u>	<u>354,544</u>	<u>5,306,871</u>	<u>5,096,033</u>

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
EXPENDITURES <i>(cont.)</i>				
INDIVIDUALS				
Professional Development Grants	\$188,842	\$1,000	\$189,842	\$170,405
Creation and Production Grants	699,774	-	699,774	792,420
	<u>888,616</u>	<u>1,000</u>	<u>889,616</u>	<u>962,825</u>

ARTS DEVELOPMENT

Residencies	249,101	-	249,101	202,707
Bridges	-	-	-	225,177
Touring	192,427	-	192,427	221,461
Arts Opportunities	101,275	-	101,275	124,525
Other	104,050	2,250	106,300	138,750
Arts Stabilization	-	200,000	200,000	200,000
Arts Education Conference Grant	-	30,000	30,000	-
	<u>646,853</u>	<u>232,250</u>	<u>879,103</u>	<u>1,112,620</u>
	6,487,796	587,794	7,075,590	7,171,478
Arts Program Delivery Expenditures <i>(See schedule)</i>	563,835	120,186	684,021	603,511
	7,051,631	707,980	7,759,611	7,774,989
Administrative Expenditures <i>(See schedule)</i>	607,085	-	607,085	495,574
	7,658,716	707,980	8,366,696	8,270,563
Rescinded commitments	(47,065)	-	(47,065)	(27,345)
	<u>7,611,651</u>	<u>707,980</u>	<u>8,319,631</u>	<u>8,243,218</u>
TOTAL EXPENDITURES	<u>7,611,651</u>	<u>707,980</u>	<u>8,319,631</u>	<u>8,243,218</u>
Excess revenues (expenditures) for the year	\$ (179,069)	\$ 38,040	\$(141,029)	\$ 11,466

The accompanying notes are an integral component of these financial statements.

FINANCIAL

STATEMENTS

MANITOBA ARTS COUNCIL STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2002

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
Fund Balances, Beginning of Year	\$309,808	26,468	\$336,276	\$324,810
Excess revenues (expenditures) for the year	(179,069)	38,040	(141,029)	11,466
Interfund transfer	48,000	(48,000)	-	-
FUND BALANCES, END OF YEAR	\$178,739	\$ 16,508	\$195,247	\$336,276

N O T E S T O
FINANCIAL
S T A T E M E N T S

MANITOBA ARTS COUNCIL NOTES TO FINANCIAL STATEMENTS *FOR THE YEAR ENDED MARCH 31, 2002*

1. AUTHORITY & PURPOSE

The Arts Council Act established the Manitoba Arts Council in 1965 to “ . . . promote the study, enjoyment, production and performance of works in the arts.” The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Programs Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development.

(c) Revenue Recognition

The Council follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue in the appropriate fund when received or receivable. Restricted revenues are recognized as revenue in the fiscal year in which related expenses are incurred.

(d) Grant Commitments

Grants and programs are reflected as expenditures when funding is formally approved and committed by Council. Cancellations of prior years' grant expenditures are reflected as rescinded grant commitments.

(e) Controlled Entities

Manitoba Foundation for the Arts, formerly The Manitoba Arts Council Foundation Inc., a registered charity (public foundation) is not consolidated in these financial statements. The Manitoba Arts Council provides administrative support for the Foundation. The value of these donated services are not recorded in these financial statements.

(f) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Computer hardware and software	3 years

(g) Investments

Investments are recorded at cost plus accrued interest income which approximates market value.

N O T E S T O
FINANCIAL
 S T A T E M E N T S

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont.)

(h) Musical instruments and works of visual art

Musical instruments and works of visual art are shown on the Balance Sheet as assets at cost with an offsetting credit to investments in musical instruments and works of visual art.

(i) Financial Instruments

The Council's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and unpaid commitments. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CASH AND MARKET INVESTMENTS

	2002		2001	
	COST	MARKET	COST	MARKET
Cash	\$ 90,705	\$90,705	\$44,614	\$44,614
Short Term Investments				
Province of Manitoba trust certificate, yielding 2.00 percent, maturing June 5, 2002	41,615	41,615	-	-
Province of Manitoba trust certificate, yielding 4.85 percent, maturing April 5, 2001	-	-	279,000	279,000
Royal Bank Bankers Acceptance, yielding 4.99 percent, maturing April 4, 2001	-	-	1,294,865	1,299,103
Province of Manitoba trust certificate, yielding 2.00 percent, maturing April 8, 2002	800,000	800,000	-	-
Province of Manitoba trust certificate, yielding 1.90 percent, maturing April 8, 2002	609,565	609,565	-	-
	\$1,541,885	\$1,541,885	\$1,618,479	\$1,622,717

4. LONG TERM INVESTMENTS

	2002		2001	
	COST	MARKET	COST	MARKET
Royal Bank Senior Deposit Note, yielding 6.05 percent, due May 26, 2002 extendible to May 26, 2010	\$500,000	\$516,010	\$500,000	\$508,776

5. CAPITAL ASSETS

	2002		2001	
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Office furniture and equipment	\$10,554	\$8,628	\$1,926	\$2,219
Computer hardware and software	252,006	211,160	40,846	43,191
	<u>\$262,560</u>	<u>\$219,788</u>	<u>\$42,772</u>	<u>\$45,410</u>

6. WORKS OF VISUAL ART

During the fiscal year ended March 31, 1998, the Manitoba Arts Council completed a move of selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba will end June 30, 2002.

7. DEFERRED GRANT REVENUE

Deferred revenue comprises unexpended funds targeted for the Bridges fund as follows:

	2002	2001
Community Connections	\$100,000	\$250,000
Management & Governance	23,980	100,000
Aboriginal Arts	144,000	-
Arts Education Initiative	50,000	-
Artists-in-the-Community	145,000	-
Website Development	16,000	-
	<u>\$478,980</u>	<u>\$350,000</u>

8. LEASE COMMITMENT

Council has entered into an agreement to lease office premises until March 31, 2012. The basic annual rent is \$93,624. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent. Payments for the next five years are as follows:

2003 - \$89,108	2005 - \$93,624	2007 - \$93,624
2004 - \$93,624	2006 - \$93,624	

9. FUNDING AGREEMENT

The funding agreement with the Province of Manitoba establishes the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to \$1,000,000 from the Province of Manitoba. Any proceeds retained in excess of \$1,000,000, except for proceeds exempted in the funding agreement, shall be repaid to the Province of Manitoba on demand. As at March 31, 2002, the Council was in discussions with the Province of Manitoba regarding the terms of a new Funding Agreement. In accordance with the previous funding agreement, there were no proceeds repayable to the Province of Manitoba.

NOTES TO FINANCIAL STATEMENTS

10. MANITOBA FOUNDATION FOR THE ARTS

The Manitoba Arts Council controls the Manitoba Foundation for the Arts. The Foundation was established in 1995 to foster new artistic activity by responding to artistic innovation with financial innovation, and to create a lasting legacy for the arts in Manitoba. The Foundation is incorporated under The Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The board of directors currently consists of nine directors, three of whom are members in good standing of the Manitoba Arts Council.

As a result of an agreement dated May 31, 1995 between the Manitoba Arts Council, The Winnipeg Foundation and the Manitoba Foundation for the Arts, the Manitoba Arts Council Fund and the John Stephen Hirsch Fund were terminated and the assets were transferred to The Winnipeg Foundation. The Winnipeg Foundation will hold those assets in the Manitoba Arts Council Endowment Fund and the John Stephen Hirsch Fund.

As part of the above agreement, the Manitoba Foundation for the Arts has a contractual right to receive, in perpetuity, the net income from the Manitoba Arts Council Endowment Fund and the John Stephen Hirsch Fund. Ownership of the units of The Winnipeg Foundation's Consolidated Trust Fund now vest, in perpetuity, with The Winnipeg Foundation. Details of these funds as at March 31, 2002 are as follows:

	MANITOBA ARTS COUNCIL ENDOWMENT FUND	JOHN STEPHEN HIRSCH FUNDS	TOTAL
Capital Contributions	\$563,679	\$52,446	\$616,125
Fair Value	\$814,996	\$73,073	\$888,069

Financial statements of the Manitoba Foundation for the Arts are available on request. A financial summary of the Manitoba Foundation for the Arts as at March 31 is as follows:

	FINANCIAL POSITION		RESULTS OF OPERATIONS		
	2002	2001	2002	2001	
Total assets	\$100,739	\$103,536	Total revenues	\$53,993	\$47,307
Total liabilities	5,595	21,281	Total expenditures	41,104	30,252
Total net assets	\$ 95,144	\$ 82,255	Excess of revenues over expenditures	\$12,889	\$17,055

11. PENSION PLAN

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of \$10,326 (2001 - \$10,081) represent the total obligations for the year.

12. SEVERANCE LIABILITY

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record severance liability. The Province of Manitoba will recognize an opening liability as at April 1, 1998 (\$36,000) to Crown organizations. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2002, Council recorded a liability of \$50,500 (2001 - \$45,000).

13. STATEMENT OF CASH FLOWS

The financial statements of the Manitoba Arts Council do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

14. ECONOMIC DEPENDENCE

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

15. COMPARATIVE AMOUNTS

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

MANITOBA ARTS COUNCIL SCHEDULE OF ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2002

	GRANTS & PROGRAMS FUND	
	2002 TOTAL	2001 TOTAL
Salaries and benefits	\$367,894	\$301,897
Council meetings	87,985	66,325
Amortization	34,946	32,818
Rent	30,083	30,014
Postage, courier and telephone	20,524	18,255
Office supplies, printing and stationery	18,954	17,975
Staff travel and expenses	14,691	11,029
Professional fees	22,625	6,691
Equipment repairs and maintenance	3,484	5,309
Insurance & sundry	5,899	5,261
TOTAL ADMINISTRATIVE EXPENDITURES	\$607,085	\$495,574

MANITOBA ARTS COUNCIL SCHEDULE OF ARTS PROGRAM DELIVERY EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2002

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2002 TOTAL	2001 TOTAL
Salaries and benefits	\$395,737	\$52,897	\$448,634	\$419,703
Jurors' fees and expenses	73,177	854	74,031	71,695
Communication	35,515	3,532	39,047	55,557
Community consultations	6,476	8,026	14,502	7,722
Rent	35,248	4,443	39,691	34,524
Postage, courier and telephone	6,685	1,502	8,187	7,214
Professional fees	-	5,100	5,100	-
Office supplies	2,823	239	3,062	2,253
Staff travel and expenses	8,174	29,593	37,767	4,843
Website development	-	14,000	14,000	-
	\$563,835	\$120,186	\$684,021	\$603,511