

# FINANCIALS

MANITOBA ARTS COUNCIL **FINANCIAL STATEMENTS FOR THE YEAR** ENDED MARCH 31, 2003.

May 16, 2003

## 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, 2003 have been audited by Magnus & Buffie 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 Audit/Finance/Human Resource Committee, carries out its responsibilities for the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council who approves these financial statements and the Annual Report prior to release.



**DOUGLAS RISKE**, EXECUTIVE DIRECTOR

**AUDITORS' REPORT**

To the Members of the Council  
Manitoba Arts Council

We have audited the statement of financial position of Manitoba Arts Council as at March 31, 2003 and the statements of revenues, expenditures and changes in fund balances for 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, 2003 and the results of its operations and for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of Chartered Accountants.

*Magnus & Buffie*

May 16, 2003

CHARTERED ACCOUNTANTS

MANITOBA ARTS COUNCIL STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2003

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2003 TOTAL	2002 TOTAL
<b>ASSETS</b>				
Current Assets				
Cash and short-term investments (note 3)	\$945,436	-	\$945,436	\$1,541,885
Accrued interest income	25,980	-	25,980	27,485
Accounts receivable	73,937	-	73,937	46,559
Prepaid expenses	251,084	-	251,084	1,512
	<u>1,296,437</u>	<u>-</u>	<u>1,296,437</u>	<u>1,617,441</u>
Recoverable, Province of Manitoba (note 11)	36,000	-	36,000	36,000
Long term investment (note 4)	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 (note 5)	118,759	-	118,759	42,772
Interfund balances	(503,486)	503,486	-	-
<b>TOTAL ASSETS</b>	<b><u>\$1,896,732</u></b>	<b><u>\$503,486</u></b>	<b><u>\$2,400,218</u></b>	<b><u>\$2,645,235</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities				
Accounts payable and accrued liabilities	142,418	-	142,418	160,780
Commitments for grants and programs	1,163,445	327,470	1,490,915	1,356,206
Deferred grant revenue (note 7)	20,000	175,400	195,400	483,980
	<u>1,325,863</u>	<u>502,870</u>	<u>1,828,733</u>	<u>2,000,966</u>
Investments in musical instruments and works of visual art	449,022	-	449,022	449,022
	<u>1,774,885</u>	<u>502,870</u>	<u>2,277,755</u>	<u>2,449,988</u>
Fund Balances				
Invested in capital assets	118,759	-	118,759	42,772
Unrestricted	3,088	616	3,704	152,475
	<u>121,847</u>	<u>616</u>	<u>122,463</u>	<u>195,247</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$1,896,732</u></b>	<b><u>\$503,486</u></b>	<b><u>\$2,400,218</u></b>	<b><u>\$2,645,235</u></b>

On behalf of Council,

CHAIR

EXECUTIVE DIRECTOR

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

**MANITOBA ARTS COUNCIL STATEMENT OF REVENUES AND EXPENDITURES** FOR THE YEAR ENDED MARCH 31, 2003

	<b>GRANTS &amp; PROGRAMS FUND</b>	<b>BRIDGES FUND</b>	<b>2003 TOTAL</b>	<b>2002 TOTAL</b>
<b>REVENUES</b>				
Province of Manitoba - Operating Grant <i>(note 9)</i>	\$7,317,300	-	\$7,317,300	\$7,317,300
Province of Manitoba - Bridges Grant	-	1,178,580	1,178,580	746,020
Investment Income	81,564	-	81,564	114,562
Other	24,682	-	24,682	8,220
	<u>7,423,546</u>	<u>1,178,580</u>	<u>8,602,126</u>	<u>8,186,102</u>
<b>EXPENDITURES</b>				
<b>ORGANIZATIONS</b>				
<i>Annual &amp; Operating Grants</i>				
Arts Training Schools	141,000	7,000	148,000	148,000
Arts Service Organizations	168,500	8,425	176,925	181,125
Dance Companies	885,000	43,750	928,750	928,750
Music Organizations	1,220,500	21,025	1,241,525	1,270,675
Theatre Companies	1,343,000	67,150	1,410,150	1,410,150
Visual Arts Organizations	591,500	29,575	621,075	631,575
Book Publishers	194,039	9,701	203,740	203,699
Periodical Publishers	201,000	10,050	211,050	211,050
Multidisciplinary Arts Organizations	80,000	4,000	84,000	47,250
	<u>4,824,539</u>	<u>200,676</u>	<u>5,025,215</u>	<u>5,032,274</u>
<i>Management &amp; Governance</i>	-	15,000	15,000	76,020
<i>Presentation Grants</i>	216,208	-	216,208	234,827
	<u>5,040,747</u>	<u>215,676</u>	<u>5,256,423</u>	<u>5,343,121</u>
<b>INDIVIDUALS</b>				
Professional Development Grants	210,631	-	210,631	200,842
Creation and Production Grants	725,913	-	725,913	699,774
Aboriginal Arts	-	133,557	133,557	-
	<u>936,544</u>	<u>133,557</u>	<u>1,070,101</u>	<u>900,616</u>
<b>ARTS DEVELOPMENT</b>				
Residencies	237,705	20,000	257,705	249,101
Community Connections	-	70,872	70,872	-
Touring	224,802	-	224,802	192,427
Arts Stabilization	-	200,000	200,000	200,000
Arts Opportunities	115,740	-	115,740	101,275
Other	46,400	-	46,400	59,050
Arts Education Conference Grant	-	-	-	30,000
Award of Distinction	30,000	-	30,000	-
	<u>654,647</u>	<u>290,872</u>	<u>945,519</u>	<u>831,853</u>
	6,631,938	640,105	7,272,043	7,075,590
Arts Program Delivery Expenditures <i>(Schedule)</i>	<u>639,059</u>	<u>102,387</u>	<u>741,446</u>	<u>684,021</u>
	7,270,997	742,492	8,013,489	7,759,611
Administrative Expenditures <i>(Schedule)</i>	<u>695,299</u>	<u>-</u>	<u>695,299</u>	<u>614,585</u>
	7,966,296	742,492	8,708,788	8,374,196
Rescinded Commitments	<u>(33,878)</u>	<u>-</u>	<u>(33,878)</u>	<u>(47,065)</u>
	7,932,418	742,492	8,674,910	8,327,131
<b>TOTAL EXPENDITURES</b>	<u>7,932,418</u>	<u>742,492</u>	<u>8,674,910</u>	<u>8,327,131</u>
<b>EXCESS REVENUES (EXPENDITURES) FOR THE YEAR</b>	<u>\$ (508,872)</u>	<u>\$ 436,088</u>	<u>\$ (72,784)</u>	<u>\$ (141,029)</u>

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

MANITOBA ARTS COUNCIL **STATEMENT OF CHANGES IN FUND BALANCES** FOR THE YEAR ENDED MARCH 31, 2003

	<b>GRANTS &amp; PROGRAMS FUND</b>	<b>BRIDGES FUND</b>	<b>2003 TOTAL</b>	<b>2002 TOTAL</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>\$178,739</b>	<b>\$16,508</b>	<b>\$195,247</b>	<b>\$336,276</b>
Excess revenues (expenditures) for the year	(508,872)	436,088	(72,784)	(141,029)
Interfund transfer	451,980	(451,980)	-	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$121,847</b>	<b>\$616</b>	<b>\$122,463</b>	<b>\$195,247</b>

# MANITOBA ARTS COUNCIL NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2003

## 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. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

### (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) 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	10 years
Computer hardware and software	3 years

### (F) INVESTMENTS

Investments are recorded at cost.

### (G) MUSICAL INSTRUMENTS AND WORKS OF VISUAL ART

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

### (H) 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 carrying value of these instruments approximates their fair value and that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 3. CASH AND SHORT TERM INVESTMENTS

Cash and short term investments consists of cash \$79,237 (2002 - \$90,705) and short term investments totaling \$866,199 (2002 - \$1,451,180). The short term investments mature between April 2003 and June 2003 with yields ranging from 2.9% to 3.1%.

## 4. LONG TERM INVESTMENTS

The long term investments consists of a \$500,000 (2002 - \$500,000) Royal Bank Senior Deposit Note, yielding 6.05% due May 26, 2003. The approximate fair value of the note is \$527,000 (2002 - \$516,000).

## 5. CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$103,785	\$18,458	\$85,327	\$1,926
Computer hardware and software	251,150	217,718	33,432	40,846
	<u>\$354,935</u>	<u>\$ 236,176</u>	<u>\$118,759</u>	<u>\$42,772</u>

## 6. WORKS OF VISUAL ART

The Manitoba Arts Council moved 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 Manitoba Arts Council to provide 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, 2003.

## 7. DEFERRED GRANT REVENUE

Deferred revenue comprises unexpended funds targeted as follows:

	2003		2002	
	Grants & Programs	Bridges	Grants & Programs	Bridges
Community Connections	\$ -	\$ 30,000	\$ -	\$100,000
Management & Governance	5,000	-	5,000	23,980
Aboriginal Arts	-	10,400	-	144,000
Arts Education Initiative	-	20,000	-	50,000
Artists-in-the-Community	-	115,000	-	145,000
Website Development	-	-	-	16,000
Ethnocultural Project	15,000	-	-	-
	<u>\$20,000</u>	<u>\$175,400</u>	<u>\$5,000</u>	<u>\$478,980</u>

## 8. LEASE COMMITMENT

Council has entered into an agreement to lease office premises until March 31, 2012 with basic annual rent of \$93,624. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

## 9. FUNDING AGREEMENT

The funding agreement with the Province of Manitoba established 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, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2003, the Council was in discussions with the Province regarding the terms of a new funding agreement.

## 10. 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 \$12,015 (2002 - \$10,326) represent the total obligations for the year.

## 11. SEVERANCE LIABILITY

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record severance liability. The Province of Manitoba has recognized an opening liability of \$36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2003, Council recorded a liability of \$55,857 (2002 - \$50,500). This liability is included in accounts payable and accrued liabilities.

## 12. SPECIAL GRANTS

During the year, the Council received a \$200,000 special grant from the Province of Manitoba under the agreement that the Council would provide a special grant of \$200,000 to the Winnipeg Symphony Orchestra. The grant received from the Province and grant provided to the Winnipeg Symphony Orchestra have been excluded from the statement of revenues and expenditures.

## 13. STATEMENT OF CASH FLOWS

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

## 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 reclassified to conform to the current year's presentation.



MANITOBA ARTS COUNCIL **SCHEDULE OF ADMINISTRATIVE EXPENDITURES** FOR THE YEAR ENDED MARCH 31, 2003

	<b>GRANTS &amp; PROGRAMS FUND</b>	
	<b>2003 TOTAL</b>	<b>2002 TOTAL</b>
Salaries and benefits	\$411,221	\$367,894
Council meetings	71,583	87,985
Amortization	46,352	34,946
Rent	64,436	30,083
Postage, courier and telephone	24,477	20,524
Office supplies, printing and stationery	19,190	18,954
Staff travel and expenses	18,866	14,691
Professional fees	6,395	22,625
Equipment repairs and maintenance	3,076	3,484
Insurance & sundry	7,203	5,899
<b>TOTAL ADMINISTRATIVE EXPENDITURES</b>	<b>\$672,799</b>	<b>\$607,085</b>
Other Administrative Expenditures		
Art Bank Administration	\$ 22,500	\$ 7,500
	<b>\$695,299</b>	<b>\$614,585</b>

MANITOBA ARTS COUNCIL **SCHEDULE OF ARTS PROGRAM DELIVERY EXPENDITURES** FOR THE YEAR ENDED MARCH 31, 2003

	<b>GRANTS &amp; PROGRAMS FUND</b>	<b>BRIDGES FUND</b>	<b>2003 TOTAL</b>	<b>2002 TOTAL</b>
Salaries and benefits	\$373,404	\$67,155	\$440,559	\$448,634
Jurors' fees and expenses	71,870	6,500	78,370	74,031
Communication	45,940	2,198	48,138	39,047
Community consultations	3,596	9,267	12,863	14,502
Rent	51,545	6,290	57,835	39,691
Postage, courier and telephone	6,983	1,545	8,528	8,187
Professional fees	73,083	-	73,083	5,100
Office supplies	3,907	53	3,960	3,062
Staff travel and expenses	8,731	9,379	18,110	37,767
Website development	-	-	-	14,000
	<b>\$639,059</b>	<b>\$102,387</b>	<b>\$741,446</b>	<b>\$684,021</b>