

# The Council for Business and the Arts in Canada

Financial statements  
December 31, 2017



# Independent auditors' report

To the Members of  
**The Council for Business and the Arts in Canada**

We have audited the accompanying financial statements of **The Council for Business and the Arts in Canada**, which comprise the balance sheet as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Council for Business and the Arts in Canada** as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Ernst & Young LLP*

Toronto, Canada  
June 20, 2018

Chartered Professional Accountants  
Licensed Public Accountants



# The Council for Business and the Arts in Canada

## Balance sheet

As at December 31

	2017	2016
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	1,393,182	1,802,571
Accounts receivable	181,600	137,019
Prepaid expenses	14,613	3,676
<b>Total current assets</b>	<b>1,589,395</b>	<b>1,943,266</b>
Investments <i>[note 3]</i>	1,153,224	1,126,188
Capital assets, net <i>[note 4]</i>	41,953	4,606
	<b>2,784,572</b>	<b>3,074,060</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	58,368	50,218
Deferred lease inducement	13,395	—
Deferred contributions <i>[note 6]</i>	1,272,834	1,626,979
<b>Total current liabilities</b>	<b>1,344,597</b>	<b>1,677,197</b>
Commitments <i>[note 9]</i>		
<b>Net assets</b>		
Unrestricted	330,860	307,758
Board restricted <i>[note 7]</i>	333,597	333,597
Edmund C. Bovey Award Endowment Fund <i>[note 8]</i>	775,518	755,508
<b>Total net assets</b>	<b>1,439,975</b>	<b>1,396,863</b>
	<b>2,784,572</b>	<b>3,074,060</b>

See accompanying notes

On behalf of the Board:

Director

Director

# The Council for Business and the Arts in Canada

## Statement of operations

Year ended December 31

	2017	2016
	\$	\$
<b>Revenue</b>		
Program <i>[notes 5, 6 and 8]</i>		
artsVest National	2,076,044	1,332,822
BftA Awards	438,705	415,622
The Canadian Arts Summit	242,672	164,986
Research projects	89,171	45,764
artsScene Chapters	3,811	26,390
boardLink and artsScene National	80,278	10,959
Special projects and other	1,815	1,439
Memberships	170,438	184,850
Donations	34,800	35,250
Investment income, net <i>[note 3[c]]</i>	8,089	19,423
	<b>3,145,823</b>	<b>2,237,505</b>
<b>Expenses</b>		
Program <i>[note 5]</i>		
artsVest National	2,076,044	1,332,822
BftA Awards	219,379	243,161
The Canadian Arts Summit	257,672	179,986
Research projects	89,171	45,764
artsScene Chapters	3,811	26,390
boardLink and artsScene National	80,278	10,959
General and administration	396,366	378,634
	<b>3,122,721</b>	<b>2,217,716</b>
<b>Excess of revenue over expenses for the year</b>	<b>23,102</b>	<b>19,789</b>

See accompanying notes

The Council for Business and the Arts in Canada

Statement of changes in net assets

Year ended December 31

	2017			
	Unrestricted	Board restricted	Edmund C. Bovey Award Endowment Fund	Total
	\$	\$	\$	\$
		[note 7]	[note 8]	
<b>Net assets, beginning of year</b>	<b>307,758</b>	<b>333,597</b>	<b>755,508</b>	<b>1,396,863</b>
Excess of revenue over expenses for the year	23,102	—	—	23,102
Increase in capital in accordance with capital preservation policy [note 8]	—	—	20,010	20,010
<b>Net assets, end of year</b>	<b>330,860</b>	<b>333,597</b>	<b>775,518</b>	<b>1,439,975</b>
	2016			
	Unrestricted	Board restricted	Edmund C. Bovey Award Endowment Fund	Total
	\$	\$	\$	\$
		[note 7]	[note 8]	
<b>Net assets, beginning of year</b>	287,969	333,597	723,841	1,345,407
Excess of revenue over expenses for the year	19,789	—	—	19,789
Increase in capital in accordance with capital preservation policy [note 8]	—	—	31,667	31,667
<b>Net assets, end of year</b>	<b>307,758</b>	<b>333,597</b>	<b>755,508</b>	<b>1,396,863</b>

See accompanying notes

## The Council for Business and the Arts in Canada

### Statement of cash flows

Year ended December 31

	2017 \$	2016 \$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	23,102	19,789
Add non-cash item		
Amortization of capital assets	12,347	5,447
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(44,581)	(2,602)
Increase in prepaid expenses	(10,937)	(162)
Increase in accounts payable and accrued liabilities	8,150	5,281
Increase in lease inducements	13,395	—
Increase (decrease) in deferred contributions	(354,145)	731,379
<b>Cash provided by (used in) operating activities</b>	<b>(352,669)</b>	<b>759,132</b>
<b>Investing activities</b>		
Purchase of capital assets	(49,694)	(2,500)
Net increase in investments, net of increase in Endowment net assets	(7,026)	(18,553)
<b>Cash used in investing activities</b>	<b>(56,720)</b>	<b>(21,053)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(409,389)</b>	<b>738,079</b>
Cash and cash equivalents, beginning of year	1,802,571	1,064,492
<b>Cash and cash equivalents, end of year</b>	<b>1,393,182</b>	<b>1,802,571</b>

See accompanying notes

# The Council for Business and the Arts in Canada

## Notes to financial statements

December 31, 2017

### 1. Purpose of the organization

The Council for Business and the Arts in Canada, operating as Business for the Arts ["CBAC"], is a national business association dedicated to increasing the quantity and quality of partnerships between business and the arts through a cohesive set of programs that foster and promote business leadership in the arts, facilitate funding relationships and connect business volunteers to the arts.

CBAC runs a number of programs, as further discussed in note 5, in support of these objectives.

CBAC is continued under the *Canada Not-for-profit Corporations Act*. As a charitable organization registered under the *Income Tax Act* (Canada), CBAC is exempt from income taxes and is able to issue donation receipts for income tax purposes.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### Revenue recognition

CBAC follows the deferral method of accounting for contributions, which include grants, sponsorships and donations. Grants, sponsorships and donations related to specific events or programs and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Fees are recognized when the services have been provided.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations, except to the extent it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

#### Capital assets

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

##### Tangible

Computer equipment	3 years
Furniture	5 years
Leasehold improvements	Over lease term

##### Intangible

Website	5 years
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## The Council for Business and the Arts in Canada

### Notes to financial statements

December 31, 2017

#### **Leasehold inducements**

Leasehold inducements represent rent-free inducements received, which are amortized on a straight-line basis over the term of the lease.

#### **Financial instruments**

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that CBAC designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end. Revenue and expense items are translated at the rate prevailing on the date of the transaction. Exchange gains and losses are included in the statement of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

#### **Contributed materials and services**

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

#### **Allocation of expenses**

Salary and other costs directly related to program activities are allocated to program expenses. Certain general support costs common to all functions are allocated to each program disclosed in the statement of operations. The allocated expenses include those related to finance. These expenses are allocated proportionately based on personnel hours incurred.

#### **Grants awarded**

Grants awarded are recognized as expenses when the grant is approved and the grant recipients have met all conditions.



## The Council for Business and the Arts in Canada

### Notes to financial statements

December 31, 2017

#### 3. Investments

[a] Investments consist of units in pooled funds with the following mix:

	2017 \$	2016 \$
Cash and cash equivalents	263,858	460,048
Fixed income securities	179,902	5,406
Canadian equities	254,863	267,132
Foreign equities	454,601	393,602
	<b>1,153,224</b>	<b>1,126,188</b>

[b] Investments are held for the following:

	2017 \$	2016 \$
Edmund C. Bovey Award Endowment Fund	775,518	755,508
General funds	377,706	370,680
	<b>1,153,224</b>	<b>1,126,188</b>

[c] Investment management fees of \$2,664 [2016 – \$2,963] have been netted against investment income in the statement of operations, and fees of \$9,878 [2016 – \$9,657] have been netted against the Bovey Endowment Fund investment income [note 8].

The Council for Business and the Arts in Canada

Notes to financial statements

December 31, 2017

**4. Capital assets**

Capital assets consist of the following:

	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Computer equipment	11,878	8,606	3,272
Furniture	10,667	7,209	3,458
Leasehold improvements	44,028	8,805	35,223
<b>Intangible</b>			
Website	25,804	25,804	—
	<b>92,377</b>	<b>50,424</b>	<b>41,953</b>
	<b>2016</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
<b>Tangible</b>			
Computer equipment	10,348	6,040	4,308
Furniture	6,531	6,233	298
<b>Intangible</b>			
Website	25,804	25,804	—
	<b>42,683</b>	<b>38,077</b>	<b>4,606</b>

## The Council for Business and the Arts in Canada

### Notes to financial statements

December 31, 2017

#### 5. Program revenue and expenses

[a] Programs run by CBAC include the following:

- artsVest National, a matching grant, sponsorship training and mentorship program designed to stimulate new business investment in the arts.
- Business for the Arts Awards ["BftA Awards"], since 1976, that recognize outstanding business and arts leaders in the arts with an annual awards gala.
- The Canadian Arts Summit, hosted annually in partnership with the Banff Centre, that brings Canada's top performing and visual arts organizations together to discuss key issues facing the cultural sector.
- artsScene, a volunteer-led program, now in eight cities across Canada, that engages young business professionals in the arts.
- boardLink, a matching program connecting business professionals with volunteer board and committee positions within the non-profit arts organizations in their cities, operating in two ways: boardLink online and boardLink live.
- YP Summit/Arts and Business Exchange, included in artsScene National, a forum of young business professionals to explore the issues of young professionals investing in the arts, supporting individual artists, new funding models, as well as volunteer, committee and board engagement.
- A multi-year research project launched by CBAC in 2014 on business investment in the arts. The first phase of the research examined why the arts should figure more prominently in corporate giving and sponsorships, and what support of the arts does for business, the societal benefits of the arts on community well-being. The second phase of the research will examine the relationship between the talent migration for quality of life and the role that lifestyle enhancement and specifically the cultural scene of the locale plays in urban development and growth. The third phase of the research is Cultural Track Canada.
- The Canadian version of the "Cultural Track" research study to explore ever changing audience behaviours and expectations driven by multiplying options for spending leisure time and by technological developments that are still fundamentally altering the way cultural audiences interface with the world. The Cultural Track Canada research study is conducted in collaboration with La Placa Cohen and Nanos research firms.

[b] Certain general and support costs, amounting to \$40,380 [2016 – \$52,418], are allocated to program expenses reported in the statement of operations.

## The Council for Business and the Arts in Canada

### Notes to financial statements

December 31, 2017

#### 6. Deferred contributions

Deferred contributions represent grants and donations related to expenses to be incurred in future years. The continuity of deferred contributions is as follows:

	2017			
	Balance, beginning of year \$	Contributions \$	Amount recognized as program revenue \$	Balance, end of year \$
artsVest National	1,295,840	1,778,620	2,076,044	998,416
BftA Awards	35,000	35,000	35,000	35,000
The Canadian Arts Summit	91,915	181,417	242,672	30,660
Research projects	155,807	90,000	89,171	156,636
boardLink and artsScene	28,917	97,294	84,089	42,122
Deferred memberships	19,500	10,000	19,500	10,000
<b>Total</b>	<b>1,626,979</b>	<b>2,192,331</b>	<b>2,546,476</b>	<b>1,272,834</b>

  

	2016			
	Balance, beginning of year \$	Contributions \$	Amount recognized as program revenue \$	Balance, end of year \$
artsVest National	636,334	1,992,328	1,332,822	1,295,840
BftA Awards	35,000	35,000	35,000	35,000
The Canadian Arts Summit	66,403	190,498	164,986	91,915
Research projects	111,571	90,000	45,764	155,807
boardLink and artsScene	46,292	19,974	37,349	28,917
Deferred memberships	—	19,500	—	19,500
<b>Total</b>	<b>895,600</b>	<b>2,347,300</b>	<b>1,615,921</b>	<b>1,626,979</b>

# The Council for Business and the Arts in Canada

## Notes to financial statements

December 31, 2017

### 7. Board restricted net assets

Board restricted net assets consist of amounts set aside by the Board of Directors [the “Board”] for the following purposes:

	2017	2016
	\$	\$
YP Summit/ABX [Arts and Business Exchange]	28,597	28,597
Future operating expenses	305,000	305,000
	<b>333,597</b>	<b>333,597</b>

Internally restricted net assets are funds set aside by the Board. The Board may approve a transfer from internally restricted net assets, if required, to fund unanticipated deficits from fundraising shortfalls and anticipated or unanticipated operating expenditures.

### 8. Edmund C. Bovey Award Endowment Fund

The Edmund C. Bovey Award Endowment Fund [the “Bovey Endowment Fund”] was established by donations that required the capital to be maintained and the income to be used for the benefit of the arts in Canada, an arts discipline, or an arts organization to be determined by the recipient of the Edmund C. Bovey Award [“Bovey Award”]. The Bovey Award recipient is an individual member of the Canadian business community who has had the vision to contribute leadership, time, money and/or expertise to the arts, a particular arts organization or arts discipline. An amount of \$20,000 is paid to the recipient’s choice of arts organizations.

CBAC has established a policy with the objective of protecting the real value of the Bovey Endowment Fund by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. The policy is to make available on an annual basis to support the Bovey Award an amount equal to 4% of the three-year moving average of the market value of the Bovey Endowment Fund at the end of the previous three calendar years. This amount is recorded in the statement of operations when it is made available for spending and has been used for the purpose of this funding. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount is transferred from the Bovey Endowment Fund.

During the year ended December 31, 2017, total investment income earned was \$69,606 [2016 – \$91,980], of which \$58,853 [2016 – \$68,794] was related to investments held for the Bovey Endowment Fund. An amount of \$28,965 [2016 – \$27,470] was made available for spending and recorded as program revenue, \$20,010 [2016 – \$31,667] was added to endowment net assets and \$9,878 [2016 – \$9,657] was paid in management fees [note 3[c]].

## The Council for Business and the Arts in Canada

### Notes to financial statements

December 31, 2017

#### 9. Commitments

The future minimum annual lease payments for premises are as follows:

	\$
2018	26,488
2019	28,031
2020	29,574
2021	31,117
2022	27,003
	<u>142,213</u>

In addition to minimum lease payments, leases for offices require the payment of various operating costs that are not included in the schedule above.

#### 10. Financial instruments

CBAC is exposed to various financial risks through transactions in financial instruments.

##### Foreign currency risk

CBAC is exposed to foreign currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### Interest rate risk

CBAC is exposed to interest rate risk with respect to its investments in pooled funds that hold fixed income securities, because the fair value will fluctuate due to changes in market interest rates.

##### Other price risk

CBAC is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in pooled funds.