

SASKATCHEWAN CENTRE OF THE ARTS

FINANCIAL STATEMENTS

For the Year Ended March 31, 2017



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Centre of the Arts, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and accumulated surplus, statement of changes in net financial assets, and statement of 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 public sector accounting standards for Treasury Board's approval, 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.

Auditor's Responsibility

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 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 auditor's 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 auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Centre of the Arts as at March 31, 2017, and the result of its operations and accumulated surplus, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 5, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Current:		
Cash and cash equivalents	\$1,704,601	\$1,164,202
Accounts receivable	301,910	317,991
Inventories held for resale	77,292	62,894
	<u>2,083,803</u>	<u>1,545,087</u>
LIABILITIES		
Current		
Accounts payable and accrued charges	629,278	648,004
Advance sales and deposits	1,179,033	625,100
	<u>1,808,311</u>	<u>1,273,104</u>
NET FINANCIAL ASSETS (Statement 3)	<u>275,492</u>	<u>271,983</u>
NON FINANCIAL ASSETS (Note 2)		
Tangible Capital Assets (Note 4)	519,994	645,822
Inventories held for consumption	67,257	55,720
	<u>587,251</u>	<u>701,542</u>
ACCUMULATED SURPLUS (Statement 2)	<u>\$ 862,743</u>	<u>\$ 973,525</u>

(see accompanying notes to the financial statements)

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	Budget 2017 (Note 6)	Actual 2017	Actual 2016
REVENUES:			
Catering	\$ 1,976,153	\$ 1,898,639	\$ 1,674,046
Theatre	1,796,000	1,787,133	1,692,161
Rentals	550,000	711,440	574,329
Bar/Concessions	840,500	932,578	815,748
Other (Schedule 1)	235,000	214,346	183,480
	5,397,653	5,544,136	4,939,764
EXPENSES: (Schedule 2)			
Catering	2,233,711	2,202,018	1,982,169
Theatre	1,925,320	2,131,522	1,991,318
Rentals	535,034	582,109	530,222
Bar/Concessions	652,847	688,559	616,420
Other	48,030	50,710	44,909
	5,394,942	5,654,918	5,165,038
Surplus (Deficit) for the Year	2,711	(110,782)	(225,274)
Accumulated surplus - beginning of year		973,525	1,198,799
Accumulated surplus - end of year - to Statement 1		\$ 862,743	\$ 973,525

(see accompanying notes to the financial statements)

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	Budget 2017 <u>(Note 6)</u>	Actual 2017 <u></u>	Actual 2016 <u></u>
Surplus (Deficit) for the period	\$ 2,711	\$ (110,782)	\$ (225,274)
Amortization of property, plant and equipment	219,500	209,730	198,815
Acquisition of property, plant and equipment	<u>(200,000)</u>	<u>(83,902)</u>	<u>(157,422)</u>
	<u>19,500</u>	<u>125,828</u>	<u>41,393</u>
Changes in inventories held for consumption	<u>-</u>	<u>(11,537)</u>	<u>(5,457)</u>
Increase (Decrease) in net financial assets	<u>22,211</u>	<u>3,509</u>	<u>(189,338)</u>
Net financial assets, beginning of the year	<u>271,983</u>	<u>271,983</u>	<u>461,321</u>
Net financial assets, end of the year (Statement 1)	<u><u>\$ 294,194</u></u>	<u><u>\$ 275,492</u></u>	<u><u>\$ 271,983</u></u>

(see accompanying notes to the financial statements)

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
 STATEMENT OF CASH FLOWS
 For the Year Ended March 31

	Actual 2017	Actual 2016
	<u> </u>	<u> </u>
Cash flows provided by (used in) operating activities:		
Cash receipts from customers	\$ 6,106,004	\$ 4,776,106
Cash paid to suppliers and employees	(5,489,849)	(4,868,309)
Interest Income	8,146	9,678
	<u> </u>	<u> </u>
Cash flows provided by (used in) operating activities	624,301	(82,525)
	<u> </u>	<u> </u>
Cash flows (used in) investing activities		
Purchase of capital assets	(83,902)	(157,422)
	<u> </u>	<u> </u>
Net increase/(decrease) in cash	540,399	(239,947)
Cash & cash equivalents, beginning of year	1,164,202	1,404,149
	<u> </u>	<u> </u>
Cash & cash equivalents, end of year (Statement 1)	<u>\$ 1,704,601</u>	<u>\$ 1,164,202</u>

(see accompanying notes to the financial statements)

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017

1. Status of Centre

The Board of the Saskatchewan Centre of the Arts is continued under *The Saskatchewan Centre of the Arts Act, 2000*, to maintain, operate and manage the Saskatchewan Centre of the Arts in Regina. The Act also continued the Saskatchewan Centre of the Arts Fund through which all financial transactions are conducted which relate to accomplishing the purposes of the Act.

Effective January 1, 2006 Conexus Credit Union made a donation to the Saskatchewan Centre of the Arts in return for the naming rights of the building. The Saskatchewan Centre of the Arts building is now commonly called the Conexus Arts Centre.

The ongoing operations of the Saskatchewan Centre of the Arts are dependent on support from the Government of Saskatchewan.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, The Conexus Arts Centre is classified as an “other government organization”. These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as The Conexus Arts Centre has no remeasurement gains or losses.

The following accounting policies are considered to be significant:

a) Revenue recognition

Theatre revenue is recognized at the date of the performance and is recorded net of payments to promoters. Convention/Catering revenue is recognized at the date of the event.

b) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided for using the straight-line method over the expected useful life (ranges from 3 to 10 years) of the tangible capital asset, with a full year’s amortization taken in the year of acquisition.

Tangible capital assets are accounted for as non-financial assets by The Conexus Arts Centre because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of The Conexus Arts Centre unless they are sold.

The Conexus Arts Centre has the following five major capital asset categories:

<u>Category</u>	<u>Amortization Period</u>
Convention & Theatre	
Equipment	3-10 Years
Catering Equipment	3-5 Years
Office Equipment	3 Years
Building Equipment	3-5 Years
Bar Equipment	3 Years

c) Inventories held for resale and inventories held for consumption

Inventories consist of food which is held for consumption and liquor which is held for resale. Resale inventory is valued at the lower of cost and net realizable value. Inventory held for consumption is valued at cost.

d) Use of estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management estimates relates to the useful lives of assets for amortization periods.

e) Financial Instruments

The Conexus Arts Centre's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued charges, and advance sales and deposits. The carrying value of these financial instruments approximates their fair values as at March 31 due to their immediate or short-term nature.

f) Cash and Cash Equivalents

The Conexus Arts Centre's cash and cash equivalents consisted of \$1,204,601 cash and a term deposit of \$500,000 which will mature on April 1, 2019 and has an annual interest rate of 1.2%.

3. Financial Instrument Risks

The Conexus Arts Centre's financial risk relates primarily to credit risk from potential non-payment of accounts receivable. The maximum credit risk to which it is exposed at March 31, 2017 is limited to the carrying value of its accounts receivable. The allowance for doubtful accounts is \$0 (2016-\$0). Subsequent to the year-end, a significant amount of accounts receivable were collected reducing the credit risk. The Conexus Arts Centre's financial instruments do not have any significant interest rate risk or liquidity risk.

4. Tangible Capital Assets

	Convention & Theatre Equipment	Catering Equipment	Office Equipment	Building Equipment	Bar Equipment	2017 Total	2016 Total
Cost							
Balance, beg of year	\$ 1,800,120	\$ 625,950	\$ 123,574	\$ 1,328,204	\$ 134,071	\$ 4,011,919	\$ 3,918,257
Additions	-	-	-	83,902	-	83,902	157,422
Disposals	-	-	-	(74,449)	-	(74,449)	(63,760)
Balance, end of year	1,800,120	625,950	123,574	1,337,657	134,071	4,021,372	4,011,919
Accumulated Amortization							
Balance ,beg of year	\$ 1,273,732	\$ 551,227	\$ 90,500	\$ 1,316,567	\$ 134,071	\$ 3,366,097	\$ 3,231,042
Amortization expense	142,090	20,786	16,537	30,317	-	209,730	198,815
Disposals	-	-	-	(74,449)	-	(74,449)	(63,760)
Balance, end of year	1,415,822	572,013	107,037	1,272,435	134,071	3,501,378	3,366,097
Net book value, end of year	\$ 384,298	\$ 53,937	\$ 16,537	\$ 65,222	\$ -	\$ 519,994	\$ 645,822

5. Building and Site

The building and site have been leased from the Ministry of Central Services (CS) to The Conexus Arts Centre for an annual rental of five dollars. The terms of the lease require The Conexus Arts Centre to keep the building, and all other property contained therein, in good repair and condition with the provision that any major maintenance, renovations and construction project costing in excess of \$15,000 shall be the responsibility of CS. The current lease arrangement expires May 31, 2026.

In addition, CS is responsible for charges by the Wascana Centre for services to the land and building as stipulated under *The Wascana Centre Act*.

6. Budget

These amounts represent the budget approved by The Conexus Arts Centre's Board of Directors on March 30, 2016.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to The Conexus Arts Centre by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). Also, The Conexus Arts Centre is related to non-Crown enterprises that the Government jointly owns or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. The following table summarizes the significant routine related party transactions for the year.

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 11,856	\$ 72,845
Accounts payable & accrued charges	63,088	103,511
Revenues	703,218	716,311
Expenses		
Utilities	373,962	363,542
Administration	24,446	14,111
Salaries and benefits	208,078	200,753

Other transactions and amounts due to and from related parties are described separately in the financial statements and the notes thereto.

The Conexus Arts Centre purchases all of its liquor through Saskatchewan Liquor and Gaming Authority. The Conexus Arts Centre collected and remitted Liquor Consumption Tax of \$71,059 (2016-\$65,287) to the Saskatchewan Ministry of Finance. In addition, The Conexus Arts Centre pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

8. Pension Plan

The Conexus Arts Centre participates in a defined contribution pension plan for the benefit of its employees. The Conexus Arts Centre’s financial obligation to the plan is limited to making regular payments of 5% of employees’ salaries (and 6% of International Association of Theatrical and Stage Employees permanent employees’ salaries) for current service. The Conexus Arts Centre’s annual pension expense for 2017 was \$116,550 (2016 - \$115,303).

9. **Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
SCHEDULE OF OTHER INCOME
For the Year ended March 31

	<u>2017</u>	<u>2016</u>
Office Rentals	\$ 44,261	\$ 44,792
Arts Boards, ATM & Misc.	30,596	44,777
Sponsorships	131,343	84,233
Investment Income	<u>8,146</u>	<u>9,678</u>
Total Other Income:	<u>\$ 214,346</u>	<u>\$ 183,480</u>

Schedule 2

SASKATCHEWAN CENTRE OF THE ARTS (CONEXUS ARTS CENTRE)
SCHEDULE OF EXPENSES
For the Year ended March 31

Expenses:						2017	2016
	Catering	Theatre	Rentals	Bar/Conc	Other	Total	Total
Administration	\$ 308,493	\$ 290,375	\$ 115,595	\$ 151,526	\$ 34,827	\$ 900,816	\$ 774,262
Beverage Costs	-	-	-	220,010	-	220,010	195,832
Building Expense	254,014	570,331	44,746	65,577	15,883	950,551	952,111
Event Expenses	96,743	234,928	76,340	-	-	408,011	309,182
Food Costs	411,889	-	-	26,667	-	438,556	417,902
Salaries & Benefits	1,109,185	917,903	328,010	204,268	-	2,559,366	2,423,282
Misc.	21,694	117,985	17,418	20,511	-	177,608	92,467
Total Expenses	\$ 2,202,018	\$ 2,131,522	\$ 582,109	\$ 688,559	\$ 50,710	\$ 5,654,918	\$ 5,165,038