

2018 Audited Financial Statements – Civic Boards

TCU Place
SaskTel Centre
Remai Modern

**THE CENTENNIAL AUDITORIUM &
CONVENTION CENTRE CORPORATION**

FINANCIAL STATEMENTS

December 31, 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Member of The Centennial Auditorium & Convention Centre Corporation

Opinion

We have audited the financial statements of The Centennial Auditorium & Convention Centre Corporation (the Corporation), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Saskatoon, Canada
March 28, 2019

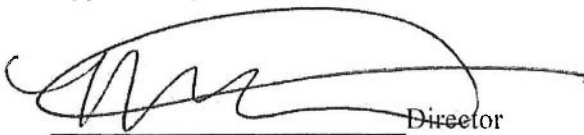
THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018, with comparative information for 2017

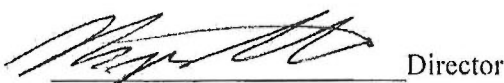
	2018	2017
FINANCIAL ASSETS		
Cash	\$ 5,772,425	\$ 5,149,102
Investments (note 3)	10,020,000	9,000,000
Accounts receivable (note 4 and note 11)	<u>1,293,020</u>	<u>1,294,370</u>
	<u>\$ 17,085,445</u>	<u>\$ 15,443,472</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 11)	\$ 2,640,889	\$ 2,119,279
Rental deposits	530,005	521,577
Advance ticket sales (note 5)	1,447,602	1,289,327
Deferred revenue (note 6)	<u>1,669,439</u>	<u>1,851,080</u>
	<u>\$ 6,287,935</u>	<u>\$ 5,781,263</u>
NET FINANCIAL ASSETS	\$ 10,797,510	\$ 9,662,209
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	\$ 2,931,368	2,991,020
Inventory	85,351	94,828
Prepaid expenses and deferred charges	<u>62,014</u>	<u>58,088</u>
	<u>3,078,733</u>	<u>3,143,936</u>
ACCUMULATED SURPLUS (Schedule 2)	<u>\$ 13,876,243</u>	<u>\$ 12,806,145</u>

Contractual rights (note 7)
Commitments to the City of Saskatoon (note 8)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Approved by the Board:


 Director


 Director

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
STATEMENT OF OPERATIONS
Year ended December 31, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
OPERATING REVENUE			
Sales	\$ 10,707,269	\$ 9,942,061	\$ 10,327,706
Sponsorships	352,879	375,830	383,704
Interest income	<u>229,933</u>	<u>298,785</u>	<u>227,394</u>
	<u>\$ 11,290,081</u>	<u>\$ 10,616,676</u>	<u>\$ 10,938,804</u>
OPERATING EXPENDITURES			
Direct (Schedule 1)	\$ 6,114,156	\$ 5,702,771	\$ 5,862,700
Plant maintenance (Schedule 1)	2,132,916	2,012,731	2,090,559
Administration (Schedule 1)	1,383,675	1,209,612	1,347,312
Amortization (Schedule 3)	<u>391,486</u>	<u>395,815</u>	<u>374,496</u>
	<u>\$ 10,022,233</u>	<u>\$ 9,320,929</u>	<u>\$ 9,675,067</u>
OPERATING MARGIN	\$ 1,267,848	\$ 1,295,747	\$ 1,263,737
OTHER REVENUE AND EXPENDITURES			
Funding by City of Saskatoon	500,000	500,000	500,000
Reimbursement to City of Saskatoon (note 8 and note 11)	<u>(725,650)</u>	<u>(725,649)</u>	<u>(725,506)</u>
SURPLUS OF REVENUE OVER EXPENDITURES	\$ 1,042,198	\$ 1,070,098	\$ 1,038,231
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>12,806,145</u>	<u>12,806,145</u>	<u>11,767,914</u>
ACCUMULATED SURPLUS, END OF YEAR (Schedule 2)	<u>\$ 13,848,343</u>	<u>\$ 13,876,243</u>	<u>\$ 12,806,145</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
Year ended December 31, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
Surplus of revenue over expenditures	\$ 1,042,198	\$ 1,070,098	\$ 1,038,231
Acquisition of tangible capital assets (schedule 3)	(112,905)	(338,427)	(355,044)
Amortization of tangible capital assets (schedule 3)	391,486	395,815	374,496
Loss on disposal of tangible capital assets (schedule 3)	—	2,264	—
	<u>1,320,779</u>	<u>1,129,750</u>	<u>1,057,683</u>
Use of inventory	—	9,477	3,773
Acquisition of prepaid expenses and deferred charges	—	(3,926)	(9,814)
CHANGE IN NET FINANCIAL ASSETS	<u>1,320,779</u>	<u>1,135,301</u>	<u>1,051,642</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>9,662,209</u>	<u>9,662,209</u>	<u>8,610,567</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 10,982,988</u>	<u>\$ 10,797,510</u>	<u>\$ 9,662,209</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2018, with comparative information for 2017

	2018	2017
OPERATING ACTIVITIES		
Surplus of revenue over expenditures	\$ 1,070,098	\$ 1,038,231
Non-cash items included in surplus for the year		
Amortization (schedule 3)	395,815	374,496
Loss on disposal of tangible capital assets (schedule 3)	2,264	-
Changes in non-cash working capital relating to operations		
Accounts receivable	1,350	(71,455)
Inventory	9,477	3,773
Prepaid expenses and deferred charges	(3,926)	(9,814)
Accounts payable and accrued liabilities	521,610	380,325
Rental deposits	8,428	71,847
Advance ticket sales	158,275	777,327
Deferred revenue	<u>(181,641)</u>	<u>(221,040)</u>
	<u>1,981,750</u>	<u>2,343,690</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets (schedule 3)	<u>\$ (338,427)</u>	<u>\$ (355,044)</u>
	<u>(338,427)</u>	<u>(355,044)</u>
INVESTING ACTIVITIES		
Purchases of investments	\$ (3,020,000)	\$ (3,000,000)
Investment maturities	<u>2,000,000</u>	<u>2,000,000</u>
	<u>(1,020,000)</u>	<u>(1,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	623,323	988,646
CASH POSITION, BEGINNING OF YEAR	<u>5,149,102</u>	<u>4,160,456</u>
CASH POSITION, END OF YEAR	<u>\$ 5,772,425</u>	<u>\$ 5,149,102</u>
CASH INTEREST INCLUDED IN SURPLUS OF REVENUE OVER EXPENDITURES		
Interest received	248,988	213,067
Interest paid to City of Saskatoon	(127,749)	(153,763)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

1. AUTHORITY AND PURPOSE

The Centennial Auditorium & Convention Centre Corporation (the “Corporation”) operates TCU Place, Saskatoon’s Arts and Convention Centre, on behalf of its sole member, the City of Saskatoon.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation are prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) for local governments.

Significant aspects of the accounting policies adopted by the Corporation are as follows:

Measurement Uncertainty

The preparation of the financial statements in conformity with PSAS requires management to make estimates and assumptions that affect 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 expenditures during the year.

Items requiring the use of significant estimates include determination of uncollectible accounts receivable, useful lives of tangible capital assets and related amortization.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, and highly liquid short-term investments that upon acquisition have an initial term to maturity of three months or less.

Investments

Investments consist of term deposits and guaranteed investment certificates made to obtain a return on a temporary basis with maturity terms between one month and five years.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, design, construction, development, improvement or betterment of the asset.

The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Caretaking and Maintenance	5 to 20 years
Computer	5 to 15 years
Kitchen	8 to 40 years
Theatre	10 to 100 years
Sound	10 to 20 years
Lighting	10 to 40 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expense in the statement of operations.

The TCU Place Saskatoon's Arts and Convention Centre building is owned and maintained by the City of Saskatoon.

Inventory

Inventory consists of merchandise held for resale and are stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis.

Financial instruments

Financial instruments of the Corporation include cash, investments, accounts receivable and accounts payable and accrued liabilities. All financial instruments are measured at cost or amortized cost.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are assessed annually for impairment. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable are initially reported on the statement of financial position at cost. A valuation allowance is used to reflect receivables at the lower of cost and net recoverable value.

Revenue Recognition

All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met and reasonable estimates of the amounts can be made except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specified purpose.

Unrestricted contributions and pledges are recognized as revenue when received. Gifts in kind are recorded at the fair market value on the date of their donations if they meet the Corporation's criteria for capitalization. Other in-kind donations of material and services are not recognized in these financial statements.

Revenue from events is recognized in the period that the event takes place, except for box office service charges that are recognized when tickets are sold. Sponsorship revenue is recognized on a straight line basis over the term of the contract. All other revenues are recognized in the period in which the underlying goods and services are delivered.

Employee Pension Plans

Employees of the Corporation participate in the City of Saskatoon's Superannuation Defined Benefit Pension Plan. The Corporation follows defined contribution accounting standards specific to a multi-employer plan for its participation in the plan whereby the Corporation's contributions are expensed when due.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves

The capital expansion reserve is used to accumulate funds for eligible capital expenditures which will enhance the Corporation's existing range and quality of services.

The equipment replacement reserve is used to accumulate funds for the purpose of equivalent replacement of programming equipment not covered under other reserves.

The stabilization reserve is used to accumulate funds for the purpose of offsetting any operating deficits of the Corporation to a maximum of 5% of sales with any excess being transferred to the capital expansion reserve.

Statement of Remeasurement Gains and Losses

The Corporation has not presented a statement of remeasurement gains and losses because it does not have financial instruments that give rise to remeasurement gains or losses.

New Accounting Standards

The Corporation adopted a number of new accounting standards during the year ended December 31, 2018, as issued by the Public Sector Accounting Board.

PS 2200, Related Party Transactions defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from what would have been recorded if the parties were not related, and the transactions could have a material impact on the financial statements. The new standard did not result in any additional disclosures. See note 11 for related party transactions.

PS 3420, Inter-Entity Transactions specifies how to measure related party transactions between public sector entities within the same government reporting entity. The new standard did not have any impact on the financial statements.

PS 3210, Assets provides additional guidance on the definition of assets, and establishes disclosure requirements for assets not recognized within the entity's financial statements. The new standard did not result in any additional disclosures.

PS 3320, Contingent Assets defines and establishes disclosure requirements for contingent assets. The existence of a contingent asset must be disclosed when the occurrence of the underlying confirming event is likely. The new standard did not result in any additional disclosures.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PS 3380, Contractual Rights defines contractual rights to future assets and revenue, and establishes disclosure requirements for these transactions. The Corporation identified several arrangements requiring disclosure under this standard. See note 7 for contractual rights.

One additional new accounting standard is not yet effective for the year ended December 31, 2018, and has not been applied in preparing these financial statements.

PS 3430, Restructuring Transactions establishes how to recognize and report restructuring transactions for both transferors and recipients. The standard is effective for fiscal periods beginning on or after April 1, 2018, and the Corporation does not intend to early adopt this standard. Management is currently evaluating the effect of this change on the Corporation's financial statements.

3. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Guaranteed Investment Certificate 3.09%, maturing May 1, 2023	\$ 1,000,000	\$ -
Guaranteed Investment Certificate 2.65%, maturing January 30, 2023	2,000,000	-
Term Deposit 2.00%, maturing February 28, 2022	1,020,000	1,000,000
Term Deposit 1.75%, maturing April 28, 2021	1,000,000	1,000,000
Term Deposit 1.75%, maturing January 28, 2021	1,000,000	1,000,000
Term deposit, 1.80%, maturing April 28, 2020	1,000,000	1,000,000
Term deposit, 1.80%, maturing January 28, 2020	1,000,000	1,000,000
Term deposit, 2.15%, maturing April 5, 2019	1,000,000	1,000,000
Term deposit 1.65%, maturing January 28, 2019	1,000,000	1,000,000
Term deposit, 2.50%, maturing April 28, 2018	-	1,000,000
Term deposit 1.55%, maturing January 28, 2018	-	1,000,000
	<u>\$ 10,020,000</u>	<u>\$ 9,000,000</u>

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	\$ 774,973	\$ 832,402
Funding receivable from the City of Saskatoon	300,000	300,000
Interest receivable	175,010	136,399
Other receivables	50,787	33,793
Allowance for doubtful accounts	<u>(7,750)</u>	<u>(8,324)</u>
	<u>\$ 1,293,020</u>	<u>\$ 1,294,370</u>

5. ADVANCE TICKET SALES

Advance ticket sales represent monies received in advance for events that have not yet taken place. Funds are held in trust by the Corporation and forwarded to the promoter upon settlement of the events. Contracts with promoters do not require the segregation of these monies from the on-going operating funds of the Corporation.

6. DEFERRED REVENUE

Deferred revenue represents funds received in advance for sponsorship contracts which will be recognized over terms of contracts ranging from 1 to 5 years. Funds received for naming rights will be recognized over 10 years.

	2018	2017
Sponsorship contracts	\$ 94,439	\$ 79,205
Naming rights	<u>1,575,000</u>	<u>1,771,875</u>
	<u>\$ 1,669,439</u>	<u>\$ 1,851,080</u>

7. CONTRACTUAL RIGHTS

The Corporation has a number of outstanding agreements that contain rights to receive future fixed payments. The nature of these contractual rights, and the payments due in each of the next five years and thereafter are as follows:

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

7. CONTRACTUAL RIGHTS (CONTINUED)

	Corporate Box Lease Payments	Sponsorship Payments	Digital Signage Lease Payments	Total
2019	\$ 54,500	\$ 112,000	\$ 12,000	\$ 178,500
2020	18,000	57,000	12,000	87,000
2021	18,000	-	12,000	30,000
2022	-	-	12,000	12,000
2023	-	-	12,000	12,000
Thereafter	-	-	52,000	52,000
Total	\$ 90,500	\$ 169,000	\$ 112,000	\$ 371,500

8. COMMITMENTS TO THE CITY OF SASKATOON

In connection with the productivity improvements and expansion done to the facility managed and operated by the Corporation, the Corporation agreed to reimburse the City of Saskatoon for a portion of the incurred costs. The reimbursement for these improvements to the facility, which is owned by the City of Saskatoon, are due in each of the next four years are as follows:

2019	\$ 726,038
2020	725,732
2021	725,270
2022	87,423
	<u>\$ 2,264,463</u>

9. PENSION

Employees of the Corporation participate in the City of Saskatoon's Superannuation Defined Benefit Pension Plan. The City of Saskatoon is responsible for the plan, and therefore the Corporation's obligation to the plan is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$220,048 (2017 - \$226,244) and is included in salaries and benefits.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation is exposed to financial risks from its financial assets and liabilities. These risks include credit risk, liquidity risk, and market risk.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

The Corporation is exposed to the risk resulting from the possibility that parties may default on their financial obligations. Credit risk related to investments is minimized by dealing with institutions that have strong credit ratings. Credit risk associated with potential non-payment of accounts receivable from customers is minimized by proactive credit and collections management. The Corporation does not have significant exposure to any one customer and bad debts have historically been minimal. Other receivables primarily represent annual funding amounts due from the City of Saskatoon and the risk associated with this is not considered to be significant.

As at December 31, 2018 the Corporation had \$36,843 of overdue receivables that are not impaired in the financial statements (2017 - \$55,543).

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk by maintaining adequate cash balances and implementing budgeting and monitoring processes.

All financial liabilities recognized in the financial statements are due within one year of the reporting date. As at December 31, 2018, the Corporation had sufficient working capital to meet current obligations as they are due.

Market risk

Market risk consists primarily of interest rate risk and is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's interest rate risk exposure relates to cash and investments. The impact of changes in interest rates is mitigated by investing in term deposits and guaranteed investments certificates for shorter terms at fixed interest rates. The contribution of investment income to the Corporation's overall revenue is not significant.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with the City of Saskatoon (the sole member of the Corporation) as well as with SaskTel Centre, which is related to the Corporation by virtue of common control by the City of Saskatoon (collectively referred to as "related parties"). Routine operating transactions with related parties are settled at exchange amounts.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

11. RELATED PARTY TRANSACTIONS (CONTINUED)

The transactions incurred during the year and amounts outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Accounts receivable from City of Saskatoon	\$ 315,605	\$ 311,450
Accounts payable and accrued liabilities to City of Saskatoon	1,670,448	1,200,650
Accounts payable to SaskTel Centre	-	6,112
Revenue from events held by City of Saskatoon	130,774	82,753
Utilities expenses charged by City of Saskatoon	591,452	658,886
Insurance expense charged by City of Saskatoon	71,700	102,100
Operating grant from City of Saskatoon	500,000	500,000
Reimbursement to the City of Saskatoon	725,649	725,506

12. RESERVES

Reserve balances at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Capital expansion	\$ 5,833,876	\$ 4,910,551
Equipment replacement	4,613,897	4,388,189
Stabilization	497,102	516,385
	<u>\$ 10,944,875</u>	<u>\$ 9,815,125</u>

13. BUDGETED FIGURES

Budgeted figures included in the financial statements were approved by the Board of Directors on October 26, 2017 and by the City of Saskatoon Council on November 27, 2017.

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
SCHEDULE OF OPERATING EXPENDITURES
Year ended December 31, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
DIRECT			
Cost of food and beverages	\$ 2,980,629	\$ 2,493,680	\$ 2,518,567
Salaries and benefits	1,868,163	1,864,483	1,926,132
Supplies	683,910	604,287	656,056
Theatre production costs	279,570	507,306	548,509
Credit card charges	129,293	102,336	92,466
Advertising and promotion	116,571	111,170	77,904
Telephone	21,960	20,612	21,656
Other expense (recovery)	22,040	(6,030)	11,400
Equipment maintenance	7,520	5,947	7,745
Bad debts (recovery)	4,500	(1,020)	2,265
	<u>\$ 6,114,156</u>	<u>\$ 5,702,771</u>	<u>\$ 5,862,700</u>
PLANT MAINTENANCE			
Salaries and benefits	\$ 926,474	\$ 956,922	\$ 886,612
Utilities	803,165	684,459	759,290
Maintenance	290,227	260,916	302,660
Insurance	71,800	71,700	102,100
Service contracts	41,250	38,734	39,897
	<u>\$ 2,132,916</u>	<u>\$ 2,012,731</u>	<u>\$ 2,090,559</u>
ADMINISTRATION			
Salaries and benefits	\$ 1,126,300	\$ 1,036,095	\$ 1,152,391
Travel	26,753	15,148	38,309
Office supplies and equipment	41,020	22,723	19,486
Training and staff morale	37,950	21,609	34,037
IT consultant and support	36,374	33,673	18,488
Professional fees	25,440	25,672	32,449
Bank charges and interest expense	20,100	23,404	20,925
Memberships, subscriptions and licenses	10,573	9,961	11,251
Printing and postage	13,200	4,705	5,217
Board of directors	5,965	6,508	14,759
Other	40,000	10,114	-
	<u>\$ 1,383,675</u>	<u>\$ 1,209,612</u>	<u>\$ 1,347,312</u>

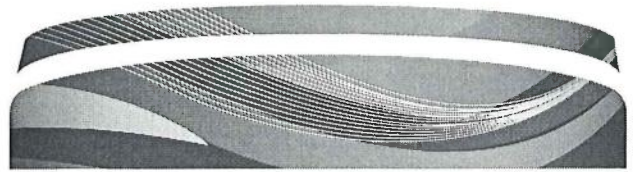
THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
SCHEDULE OF RESERVES

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
CAPITAL EXPANSION RESERVE		
Balance, beginning of year	\$ 4,910,551	\$ 4,150,796
Allocation from operations	230,877	230,877
Transfer from stabilization reserve	597,514	550,382
Interest earned	105,558	81,335
Expenditures	<u>(10,624)</u>	<u>(102,839)</u>
Balance, end of year	<u>\$ 5,833,876</u>	<u>\$ 4,910,551</u>
EQUIPMENT REPLACEMENT RESERVE		
Balance, beginning of year	\$ 4,388,189	\$ 4,096,719
Allocation from operations	460,648	460,648
Interest earned	92,863	83,027
Expenditures	<u>(327,803)</u>	<u>(252,205)</u>
Balance, end of year	<u>\$ 4,613,897</u>	<u>\$ 4,388,189</u>
STABILIZATION RESERVE		
Balance, beginning of year	\$ 516,385	\$ 509,927
Allocation from operations	578,231	556,840
Transfer to capital expansion reserve	<u>(597,514)</u>	<u>(550,382)</u>
Balance, end of year	<u>\$ 497,102</u>	<u>\$ 516,385</u>
TOTAL RESERVES	\$ 10,944,875	\$ 9,815,125
INVESTMENT IN TANGIBLE CAPITAL ASSETS (schedule 3)	<u>2,931,368</u>	<u>2,991,020</u>
ACCUMULATED SURPLUS	<u>\$ 13,876,243</u>	<u>\$ 12,806,145</u>

THE CENTENNIAL AUDITORIUM & CONVENTION CENTRE CORPORATION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year ended December 31, 2018, with comparative information for 2017

	Caretaking & Maintenance	Computer	Kitchen	Theatre	Sound	Lighting	Other	Total
COST								
Beginning of year	\$ 193,872	\$ 625,013	\$ 978,689	\$ 1,570,046	\$ 1,292,453	\$ 779,406	\$ 1,339,931	\$ 6,779,410
Additions	39,950	111,544	65,367	8,804	-	100,458	12,304	338,427
Disposals	(26,893)	(300,608)	(17,151)	-	-	(79,392)	-	(424,044)
Write-downs	-	-	-	-	-	-	-	-
End of year	206,929	435,949	1,026,905	1,578,850	1,292,453	800,472	1,352,235	6,693,793
ACCUMULATED AMORTIZATION								
Beginning of year	(109,714)	(535,081)	(469,808)	(802,351)	(709,575)	(529,779)	(632,082)	(3,788,390)
Amortization	(20,578)	(39,157)	(41,413)	(51,354)	(91,164)	(43,669)	(108,480)	(395,815)
Disposals	26,893	298,344	17,151	-	-	79,392	-	421,780
End of year	(103,399)	(275,894)	(494,070)	(853,705)	(800,739)	(494,056)	(740,562)	(3,762,425)
NET BOOK VALUE - 2018	\$ 103,530	\$ 160,055	\$ 532,835	\$ 725,145	\$ 491,714	\$ 306,416	\$ 611,673	\$ 2,931,368
NET BOOK VALUE - 2017	\$ 84,158	\$ 89,932	\$ 508,881	\$ 767,695	\$ 582,878	\$ 249,627	\$ 707,849	\$ 2,991,020



SaskTel Centre

Saskatchewan Place Association Inc.
Financial Statements
December 31, 2018

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Independent Auditor's Report

Financial Statements

Statement of Financial Position	1
Statement of Changes in Net Financial Assets	2
Statement of Operations and Accumulated Surplus	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

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Independent Auditor's Report

To the Member of Saskatchewan Place Association Inc.:

Opinion

We have audited the financial statements of Saskatchewan Place Association Inc. (the "Association"), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net financial assets, operations and accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

March 27, 2019

Chartered Professional Accountants

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Saskatchewan Place Association Inc.
Statement of Financial Position
As at December 31, 2018

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 4)	15,538,834	17,824,459
Marketable securities (Note 5)	6,000,000	-
Accounts receivable (Note 9)	863,898	1,069,873
Box office and advance receivables	11,411	3,164,367
Inventory for resale	101,573	115,677
Total Financial Assets	22,515,716	22,174,376
Liabilities		
Accounts payable (Note 6, Note 9)	2,381,870	2,452,770
Advance ticket sales	8,946,621	10,879,395
Deposits	171,209	99,208
Unearned revenue	1,664,079	2,062,529
Capital lease obligation (Note 7)	107,902	-
Total Liabilities	13,271,681	15,493,902
Net Financial Assets	9,244,035	6,680,474
Non-Financial Assets		
Tangible capital assets (Note 8)	8,214,300	8,311,692
Prepaid expenses (Note 10)	751,456	690,459
Total Non-Financial Assets	8,965,756	9,002,151
Accumulated Surplus (Note 12)	18,209,791	15,682,625
Guarantees (Note 13)		
Contingencies (Note 14)		
Commitments (Note 15)		
Subsequent event (Note 17)		
Approved by the Board		

Director

Director

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



Saskatchewan Place Association Inc.
Statement of Changes in Net Financial Assets
As at December 31, 2018

	<i>2018 Budget (Note 16)</i>	<i>2018</i>	<i>2017</i>
Annual surplus	901,532	2,527,166	1,223,183
Acquisition of tangible capital assets	(449,950)	(763,980)	(907,176)
Amortization of tangible capital assets	840,000	861,372	797,844
Surplus (deficit) of tangible capital assets	390,050	97,392	(109,332)
Acquisition of prepaid expenses	-	(751,456)	(690,459)
Use of prepaid expenses	-	690,459	792,091
Surplus (deficit) of other non-financial expenses	-	(60,997)	101,632
Increase in net financial assets	1,291,582	2,563,561	1,215,483
Net financial assets, beginning of year	6,680,474	6,680,474	5,464,991
Net financial assets, end of year	7,972,056	9,244,035	6,680,474

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



Saskatchewan Place Association Inc.
Statement of Operations and Accumulated Surplus
For the year ended December 31, 2018

	2018 Budget (Note 16)	2018	2017
Revenues			
Operations	18,228,799	24,486,080	17,323,508
Ancillary charges	485,991	1,343,994	697,818
Investment income	240,000	488,148	292,560
Total Revenues	18,954,790	26,318,222	18,313,886
Expenses			
Production costs	7,528,422	12,477,122	5,506,047
Wages and benefits	2,792,268	2,662,853	2,709,740
Concessions	1,487,868	2,053,467	2,043,341
General administration	1,549,088	1,464,217	2,023,390
Contract staff - events	1,434,086	1,607,033	1,583,364
Building and equipment maintenance	1,139,374	1,001,542	1,051,878
Amortization	840,000	861,372	797,844
Utilities	562,500	661,004	479,552
Civic Buildings allocation (Note 9, Note 12)	350,000	426,666	450,000
Advertising and promotion	369,652	563,832	421,026
Interest	-	11,948	24,521
Total Expenses	18,053,258	23,791,056	17,090,703
Annual Surplus	901,532	2,527,166	1,223,183
Accumulated Surplus, beginning of year	15,682,625	15,682,625	14,459,442
Accumulated Surplus, end of year (Note 12)	16,584,157	18,209,791	15,682,625

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

	2018	2017
Cash provided by (used for) the following activities:		
Operating		
Annual surplus	2,527,166	1,223,183
Amortization	861,372	797,844
	3,388,538	2,021,027
Accounts receivable	205,975	2,748
Box office and advance receivables	3,152,956	(823,003)
Inventory for resale	14,104	30,457
Prepaid expenses	(60,997)	101,632
Accounts payable	(70,900)	975,209
Advance ticket sales	(1,932,774)	1,924,045
Deposits	72,001	(36,168)
Unearned revenue	(398,450)	243,821
	4,370,453	4,439,768
Investing		
Redemption (purchase) of marketable securities	(6,000,000)	2,495,000
Capital		
Purchase of tangible capital assets	(656,078)	(907,176)
Financing		
Repayment of long-term debt	-	(404,903)
Increase (decrease) in cash	(2,285,625)	5,622,689
Cash and cash equivalents, beginning of year	17,824,459	12,201,770
Cash and cash equivalents, end of year	15,538,834	17,824,459

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

1. Operations

Saskatchewan Place Association Inc. (the "Association") manages a multi-purpose facility called SaskTel Centre on behalf of its sole member, the City of Saskatoon.

2. Change in accounting policies

Effective January 1, 2018, the Association adopted the recommendations relating to the following sections, as set out in the Canadian public sector accounting standards.

- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements of adopting the new sections.

3. Accounting Policies

The financial statements of the Association are prepared by management in accordance with Canadian public sector accounting standards, and include the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents include cash, redeemable term deposits and term deposits with maturities of three months or less.

Marketable Securities

Marketable securities are term deposits with maturities of greater than three months.

Inventory for Resale

Inventory is recorded at the lower of cost and net realizable value.

Tangible Capital Assets

All tangible capital asset acquisitions or betterments made throughout the year are recorded at their acquisition cost. Contributed tangible capital assets received are recorded at their fair market value at the date of contribution. The costs of these tangible capital assets less any residual value are amortized over the asset's useful life using the straight-line method of amortization. The Association's tangible capital asset useful lives are estimated as follows:

<u>Asset</u>	<u>Useful Life</u>
Land Improvements	15-30 years
Building Improvements	5-31 years
Furniture & Fixtures	5-20 years
Machinery & Equipment	5-15 years
Computer Systems	5-10 years
Signage	5-15 years

Advance Ticket Sales

Advance ticket sales are sales of tickets in the current year for events that will take place after year end. Ticket sales are made through a third party ticketing system.

Unearned Revenue

Unearned revenue relates to rental and advertising contracts that extend beyond the year end and are recognized as revenues over the term of the related contract.

3. Accounting Policies (continued from previous page)

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net Financial Assets

The Association's financial statements are presented to highlight net financial assets as the measurement of financial position. Net financial assets at the end of an accounting period are the net amount of financial assets less its financial liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of annual surplus for the period.

Revenue Recognition

Revenue from operations is earned from service charges, option fees, ticket sales, sponsorships, events, concessions and investments and is recognized as follows:

Service charge and option fee revenue on ticket sales and event revenue are recognized upon completion of the event. Sponsorship revenue is recognized over the contract term of each individual sponsorship. Concession revenue is recognized when the services are provided. Investment income is recognized as it is earned.

Government Transfers

The Association recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Association recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Segments

The Association conducts operations through one reportable segment – operations of multi-purpose facility. Therefore, expenses reported on the statement of operations are by object.

Pension

The Association is part of a multi-employer defined benefit plan of a related group of organizations. The plan assets and liabilities are administered by the City of Saskatoon, which has ultimate responsibility for any shortfalls in the funding of plan assets. The Association's contributions to the plan are expensed as incurred.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect 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 revenues and expenses during the year. Actual results could differ from those estimates.

Accounts receivable and box office and advance receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in annual surplus in the periods in which they become known.



Saskatchewan Place Association Inc.
Notes to the Financial Statements
For the year ended December 31, 2018

4. Cash and Cash Equivalents

	2018	2017
Cash	15,538,834	8,123,459
Cash equivalents	-	9,701,000
	15,538,834	17,824,459

5. Marketable Securities

Marketable securities as at December 31, 2018 include three \$2,000,000 term deposits with interest rates of 2.70%, 2.95%, & 3.15% maturing on July 17, 2019, 2020, & 2021 respectively.

6. Accounts Payable

	2018	2017
Trade payables	2,364,949	2,420,149
Government remittances	16,921	32,621
	2,381,870	2,452,770

7. Capital Lease Obligation

	2018	2017
Toyota Commercial Finance lease payable in monthly instalments of \$1,737 plus taxes, with Stated interest rate of 5.45%, maturing December 2023, secured by equipment with a net book value of \$107,902	107,902	-
Less: current portion	(15,858)	-
	92,044	-

Minimum lease payments due in the next five years are as follows:

2019	20,844
2020	20,844
2021	20,844
2022	20,844
2023	42,424
	125,800
Less: imputed interest	(17,898)
Less: current portion	(15,858)
	92,044

8. Tangible Capital Assets

Cost	<i>Land</i>	<i>Building</i>	<i>Furniture</i>	<i>Machinery</i>	<i>Computer</i>	<i>Work</i>	<i>2018</i>	<i>2017</i>
	<i>Improvements</i>	<i>Improvements</i>	<i>and Fixtures</i>	<i>and Equipment</i>	<i>Systems</i>			
Balance, beginning of year	1,534,543	5,232,188	1,019,494	6,228,555	507,665	216,154	15,293,869	14,386,693
Acquisition of tangible capital assets	-	-	-	-	-	763,980	763,980	907,176
Disposal of tangible capital assets	-	-	-	(95,310)	-	-	(95,310)	-
Completed projects - transfers	-	278,667	130,377	532,839	31,656	(973,539)	-	-
Balance, end of year	1,534,543	5,510,855	1,149,871	6,666,084	539,321	6,595	15,962,539	15,293,869
Accumulated amortization								
Balance, beginning of year	494,524	1,319,264	539,794	4,069,460	368,081	-	6,982,177	6,184,333
Disposals	-	-	-	(95,310)	-	-	(95,310)	-
Annual amortization	103,431	241,459	66,734	364,829	39,392	-	861,372	797,844
Balance, end of year	597,955	1,560,723	606,528	4,338,979	407,473	-	7,748,239	6,982,177
Net book value	936,588	3,950,132	543,343	2,327,105	131,848	6,595	8,214,300	-
2017 Net book value	1,040,019	3,912,924	479,700	2,159,095	139,584	216,154	-	8,311,692

The facility managed by the Association is owned and maintained by the City of Saskatoon therefore is not recorded as a tangible capital asset of the Association. Included in machinery and equipment is an asset under capital lease with a net book value of \$107,902. No amortization was recorded on this asset as it was not yet in use at December 31, 2018.

During the year, tangible capital assets were acquired at an aggregate cost of \$763,980 (2017 - \$907,176), of which \$107,902 (2017 - \$nil) was acquired by means of capital leases, and \$656,078 (2017 - \$907,176) was acquired in cash.

9. Related Party Transactions

Included in these financial statements are transactions and balances with the City of Saskatoon (the sole member of the Association). Transactions with the City of Saskatoon are settled on normal trade terms and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The amounts outstanding at year end are as follows:

	2018	2017
Accounts receivable	11,144	12,481
Accounts payable	1,322,568	1,022,783

The amounts included in the Statement of Operations are as follows:

Civic Buildings allocation	426,666	450,000
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The Civic Buildings Comprehensive Maintenance Reserve is held by the City of Saskatoon (the "City") and is used to maintain all buildings owned by the City. A portion of the reserve is allocated to maintain the structure and attached equipment of SaskTel Centre. Only major structural components and systems are maintained from the reserve. The City and the Association share in the contribution related to SaskTel Centre. The Association expenses its contribution in the Statement of Operations.

10. Prepaid Expenses

	2018	2017
Prepaid event expenses	207,954	168,466
Prepaid credit card and ticket fees	293,671	268,329
Prepaid operating and contra expenses	249,831	253,664
	751,456	690,459

11. Pension

Employees of the Association participate in a multi-employer defined benefit retirement plan established by the City of Saskatoon (a related party). The Association's obligation to the plan is limited to making required payments to match amounts contributed by employees for current services. The Association's required contribution ranged from 9.1% to 10.3% of eligible employee earnings for 2018 (2017 – 8.3% to 10.6%).

Pension expense for the year amounted to \$190,044 (2017 - \$185,233) and is included in wages and benefits.

12. Reserves

At the end of each year, the annual surplus is allocated to the Association's reserve accounts through a Board of Directors motion based on the Association's reserve fund policy. The investment in tangible capital assets is equal to the equity invested in the capital assets of the Association. The equipment replacement reserve is intended to accumulate funds to replace equipment that is not covered by the Civic Buildings Comprehensive Maintenance Reserve. The capital enhancement reserve is intended to accumulate funds for approved facility enhancement projects to expand or improve the Association's range and quality of services. The stabilization reserve is intended to accumulate funds to offset any operating deficits incurred in any year by the Association.

Reserve balances at December 31 are as follows:

	2018	2017
Investment in tangible capital assets	7,980,344	8,132,381
Equipment replacement reserve	599,478	664,349
Capital enhancement reserve	6,891,668	4,721,574
Stabilization reserve	2,738,301	2,164,321
Accumulated surplus	18,209,791	15,682,625

13. Guarantees

At December 31, 2018, the Association had guaranteed amounts to various artists totalling \$896,565 (2017 - \$531,903) for events to be held after year-end.

14. Contingencies

In the normal conduct of operations, there are pending claims against the Association. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the Company's financial position or results of operations.

15. Commitments

The Association has entered into a land lease agreement with the City of Saskatoon with estimated minimum annual payments of \$120,000. The lease term ends December 31, 2041.

16. Budget Information

The budget information disclosed was approved by the Association's Board of Directors on November 1, 2017.

17. Subsequent event

Subsequent to year end, a verdict was reached in the previously outstanding lawsuits alleging wrongful dismissal in the 2012 fiscal year. As the City of Saskatoon has confirmed that it will be covering losses under these lawsuits, no amounts have been recorded in these financial statements.

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**Art Gallery of
Saskatchewan Inc.
("Remai Modern")**

**Financial Statements
December 31, 2018**



Independent auditor's report

To the Board of Directors of Art Gallery of Saskatchewan Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Art Gallery of Saskatchewan Inc. ("Remai Modern") as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

Remai Modern's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of Remai Modern in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

PricewaterhouseCoopers LLP
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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing Remai Modern's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Remai Modern or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Remai Modern's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Remai Modern's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Remai Modern's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Remai Modern to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan

March 20, 2019

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Statement of Financial Position

As at December 31, 2018

					2018	2017
					\$	\$
	Operating Fund	Capital Fund	Building Transition Fund	Permanent Collection Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	582,628	2,883,167	-	-	3,465,795	10,012,562
Accounts receivable (notes 4 and 6)	663,882	-	-	348,877	1,012,759	1,340,893
Grants receivable (notes 4 and 6)	166,932	279,005	-	-	445,937	1,206,085
GST receivable	450,997	-	-	-	450,997	355,546
Prepaid expenses	58,630	-	-	-	58,630	34,891
Inventory	263,257	-	-	-	263,257	228,534
Due from other funds (note 5)	-	348,878	-	-	348,878	732,044
Due from Saskatoon Gallery and Conservatory Corporation (note 6)	-	-	-	-	-	565,480
	2,186,326	3,511,050	-	348,877	6,046,253	14,476,035
Tangible capital assets (note 7)						
Furniture and equipment	-	576,123	-	-	576,123	613,849
Facility upgrades	-	3,080,249	-	-	3,080,249	2,796,443
Computer equipment and software	-	533,107	-	-	533,107	593,675
	-	4,189,479	-	-	4,189,479	4,003,967
Permanent collection (note 8)						
	-	-	-	1	1	1
	2,186,326	7,700,529	-	348,878	10,235,733	18,480,003
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued liabilities (notes 6 and 9)	715,289	55,000	-	-	770,289	7,296,671
Deferred revenue (note 10)	1,471,037	-	-	-	1,471,037	1,714,700
Due to other funds (note 5)	-	-	-	348,878	348,878	732,044
	2,186,326	55,000	-	348,878	2,590,204	9,743,415
Net assets						
Fund balance	-	7,645,529	-	-	7,645,529	8,736,588
	2,186,326	7,700,529	-	348,878	10,235,733	18,480,003

Commitment (note 6)

Approved by the Board of Directors _____ Director _____ Director

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2018

					2018	2017
					\$	\$
	Operating Fund	Capital Fund	Building Transition Fund	Permanent Collection Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Grants						
City of Saskatoon (note 6)	5,474,700	-	-	-	5,474,700	5,079,700
Saskatchewan Arts Board	237,500	-	-	-	237,500	250,000
Canada Council for the Arts	189,000	-	-	-	189,000	160,000
Saskatchewan Lotteries	169,000	-	-	-	169,000	169,000
Canadian Heritage Cultural Spaces Grant	-	-	-	-	-	2,333,117
Other grants	-	-	-	-	-	41,426
Federal Grant – Young Canada Works	-	-	-	-	-	7,512
Donations (note 6)	1,186,173	241,862	-	1,290,441	2,718,476	3,015,345
Self-generated revenue (notes 6 and 11)	1,645,724	-	-	-	1,645,724	364,755
Artwork donated (note 8)	-	-	-	530,490	530,490	768,100
Sponsorships	319,680	-	-	-	319,680	123,295
Contributed advertising services	100,000	-	-	-	100,000	50,000
Special events	86,042	-	-	-	86,042	2,105
Interest	-	73,847	-	-	73,847	108,888
	9,407,819	315,709	-	1,820,931	11,544,459	12,473,243
Expenses (note 12)						
Administration and operations (note 6)	7,784,647	10,932	272,703	1,942	8,070,224	6,635,753
Artwork donated and purchased (note 8)	-	-	-	2,186,946	2,186,946	1,668,004
Programming and exhibitions	1,471,386	-	-	-	1,471,386	753,977
Transfer to the City of Saskatoon – capital campaign (note 6)	-	481,417	-	-	481,417	5,641,403
Amortization	-	325,545	-	-	325,545	123,025
Contributed advertising services	100,000	-	-	-	100,000	50,000
	9,356,033	817,894	272,703	2,188,888	12,635,518	14,872,162
Surplus (deficit) for the year	51,786	(502,185)	(272,703)	(367,957)	(1,091,059)	(2,398,919)
Interfund transfers (note 5)	(51,786)	355,190	(303,404)	-	-	-
Deferral of Lecture Series fund balance	-	-	-	-	-	(76,133)
Fund balances – Beginning of year	-	7,792,524	576,107	367,957	8,736,588	11,211,640
Fund balances – End of year	-	7,645,529	-	-	7,645,529	8,736,588

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Statement of Cash Flows

For the year ended December 31, 2018

					2018	2017
					\$	\$
	Operating Fund	Capital Fund	Building Transition Fund	Permanent Collection Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Cash provided by (used in)						
Operating activities						
Surplus (deficit) for the year	51,786	(502,185)	(272,703)	(367,957)	(1,091,059)	(2,398,919)
Items not affecting cash						
Interfund transfers	(51,786)	355,190	(303,404)	-	-	-
Deferral of Lecture Series fund balance	-	-	-	-	-	(76,133)
Amortization	-	325,545	-	-	325,545	123,025
	-	178,550	(576,107)	(367,957)	(765,514)	(2,352,027)
Net changes in non-cash working capital						
Accounts receivable	(527,989)	105,000	-	751,123	328,134	(1,298,936)
Grants receivable	564,160	(54,012)	250,000	-	760,148	282,112
GST receivable	(95,451)	-	-	-	(95,451)	(255,509)
Prepaid expenses	(23,739)	-	-	-	(23,739)	(19,327)
Inventory	(34,723)	-	-	-	(34,723)	(228,534)
Accounts payable and accrued liabilities	(568,675)	(5,957,707)	-	-	(6,526,382)	6,307,420
Deferred revenue	(243,663)	-	-	-	(243,663)	1,429,305
	(930,080)	(5,906,719)	250,000	751,123	(5,835,676)	6,216,531
	(930,080)	(5,728,169)	(326,107)	383,166	(6,601,190)	3,864,504
Investing activity						
Purchase of capital assets	-	(511,057)	-	-	(511,057)	(3,242,983)
Financing activities						
Net change in interfund balances	-	383,166	-	(383,166)	-	-
Increase (decrease) in due from Saskatoon Gallery and Conservatory Corporation	565,480	-	-	-	565,480	(220,764)
	565,480	383,166	-	(383,166)	565,480	(220,764)
Net change in cash	(364,600)	(5,856,060)	(326,107)	-	(6,546,767)	400,757
Cash – Beginning of year	947,228	8,739,227	326,107	-	10,012,562	9,611,805
Cash – End of year	582,628	2,883,167	-	-	3,465,795	10,012,562

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

1 Description of the organization

The Art Gallery of Saskatchewan Inc. ("the gallery" or "Remai Modern") was incorporated under the Non-profit Corporations Act (1995) in the Province of Saskatchewan and is a registered charity under the Income Tax Act.

The gallery includes the operations of Remai Modern Art Gallery of Saskatchewan a thought leader and direction setting modern art museum that opened in October 2017 in the City of Saskatoon.

2 Basis of presentation

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply only to not-for-profit organizations, as issued by the Canadian Accounting Standards Board.

These financial statements do not consolidate the financial statements of Remai Modern Foundation Inc. ("the Foundation"), a registered charity and non-profit corporation that is under the control of Remai Modern and was established in 2017 to support the mission and activities of Remai Modern. Summary financial information for the Foundation as of December 31 is as follows:

	2018 \$	2017 \$
Total assets	1,391,763	386,680
Payable to Remai Modern	620,916	-
Net assets	770,847	386,680
Total liabilities and net assets	1,391,763	386,680
Revenue	1,005,256	5,524
Expenses	621,089	173
Surplus for the year	384,167	5,351

The net assets of the Foundation are restricted for the acquisition of artworks for Remai Modern, and to support other exhibitions and public programs for the advancement of the goals of Remai Modern as an educational and cultural facility for the benefit of the people of Saskatoon, Saskatchewan, Canada, and their visitors.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

3 Significant accounting policies

a) Fund accounting

The accounts of the gallery are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds to comply with activities or objectives specified by the donors or to comply with directives issued by the Board of Directors. Transfers between the funds are made when approved by the Board of Directors. For financial reporting purposes, the funds are as follows:

- i) The Operating Fund includes the day-to-day operating activities of the gallery.
- ii) The Capital Fund consists of the activities directed towards the development and construction of the Remai Modern Art Gallery of Saskatchewan and includes all tangible capital assets of the gallery.
- iii) The Building Transition Fund consists of activities related to the move and transition from the Mendel Art Gallery to Remai Modern. These were one-time costs associated with the transition period and are not part of regular gallery operations. This fund was collapsed into the Capital Fund during 2018.
- iv) The Permanent Collection Fund consists of the activity related to the acquisitions and donations of artwork for the Remai Modern permanent collection.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

c) Financial instruments

The gallery's recognized financial assets and liabilities consist of cash, accounts receivable, grants receivable and accounts payable and accrued liabilities. The fair values of these items approximate their carrying values due to the short-term nature of the items. The company classifies its financial instruments as follows:

- Cash and investments are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method, with realized gains and losses reported in income.
- Accounts and grants receivable are classified as loans and receivables and are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method and adjusted for any allowance for doubtful accounts, with realized gains and losses reported in income.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

- Accounts payable and accrued liabilities are classified as other financial liabilities, and are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest method, with realized gains and losses reported in income.

Liquidity risk is the risk that the gallery will not be able to meet its financial obligations when they come due. The gallery manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The gallery's exposure to credit risk is based on the carrying amount of its financial assets.

d) Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined on the basis of weighted average cost.

e) Tangible capital assets

Tangible capital assets are recorded at cost.

All tangible capital asset purchases are made from the Capital Fund unless the Board of Directors determines otherwise. All items meeting the capitalization criteria have been capitalized in the Capital Fund and are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and equipment	10 years
Facility upgrades	30 years
Computer equipment and software	5 years

One-half of annual amortization is taken in the year of an asset's acquisition or disposal.

Any gain or losses on the disposal of tangible capital assets are recorded in the Capital Fund based upon the difference in the proceeds received and the net book value of the underlying assets disposed of.

The gallery reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the gallery. The impairment loss, if any, is the excess of the carrying value over any residual value. Writedowns are not reversed.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

f) Permanent collection

Purchased and donated artwork is included in the statement of operations and changes in fund balances. Donated items in excess of \$1,000 for income tax purposes are appraised by independent professional art dealers. Donated items of \$1,000 or less are recorded at estimated market values as approved by the Executive Director and CEO. Purchased items are recorded at cost. The permanent collection is assigned a nominal value of \$1 for statement of financial position purposes.

g) Revenue recognition

The gallery follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations and programming are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reliably measured and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reliably measured and collection is reasonably assured.

Due to the uncertainty involved in collecting pledged donations, pledges are not recognized until the cash is received unless there is a signed gift agreement in place and collection is reasonably assured. Memberships are recognized on a pro-rata basis over the membership period. Other types of self-generated revenue are recognized in the period in which the underlying goods are sold or performance of the service has been achieved.

h) Use of estimates

The preparation of financial statements in conformity with PSAS for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used primarily in the determination of the collectability of accounts receivable, the estimated useful lives of tangible capital assets, and the fair value of donated artwork.

i) Donated services

Certain ancillary services of the gallery are voluntarily provided by the community. Since these services are not normally purchased by the gallery and because of difficulties in determining their fair value, these donated services are not recognized in the financial statements.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

4 Accounts receivable and grants receivable

	2018 \$	2017 \$
Accounts receivable		
Operating Fund		
City of Saskatoon – River Landing Commission	220,000	-
Remai Modern Foundation Inc.	272,039	-
Other	171,843	135,893
	<hr/> 663,882	<hr/> 135,893
Capital Fund		
Capital campaign contributions	-	105,000
Permanent Collection Fund		
Frank & Ellen Remai Foundation Inc.	-	1,100,000
Remai Modern Foundation Inc.	348,877	-
	<hr/> 348,877	<hr/> 1,205,000
	<hr/> 1,012,759	<hr/> 1,340,893
Grants receivable		
Operating Fund		
City of Saskatoon	166,932	646,592
Saskatchewan Lotteries	-	84,500
	<hr/> 166,932	<hr/> 731,092
Capital Fund		
Canada Council for the Arts	29,005	-
Cultural Spaces Grant	-	224,993
City of Saskatoon	250,000	250,000
	<hr/> 279,005	<hr/> 474,993
	<hr/> 445,937	<hr/> 1,206,085

5 Interfund balances and transfers

As of December 31, 2018, \$348,878 (2017 - \$732,044) is due to the Capital Fund from the Permanent Collection Fund related to amounts that were advanced to cover the costs associated with the purchase of artwork.

The following interfund transfers were approved for the year ended December 31, 2018:

- \$51,786 from the Operating Fund to the Capital Fund for the capital replacement reserve; and
- \$303,404 from the Building Transition Fund to the Capital Fund.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

6 Related party transactions

Saskatoon Gallery and Conservatory Corporation

The Saskatoon Gallery and Conservatory Corporation and Art Gallery of Saskatchewan Inc. ("Remai Modern") have common management and are under common control.

In 2012, the Saskatoon Gallery and Conservatory Corporation and Art Gallery of Saskatchewan Inc. launched a fundraising campaign to raise \$20 million for the capital construction of Remai Modern Art Gallery of Saskatchewan. Pledges exceeding \$20 million have been made to the campaign, and as of December 31, 2018, the galleries had disbursed a cumulative amount of \$19,177,820 (2017 – \$13,055,000) to the City of Saskatoon related to the construction of Remai Modern. The proposed settlement amount of \$5,641,403 that was to be transferred to the City of Saskatoon for construction of the new gallery was accrued for as of December 31, 2017 and paid during the year ended December 31, 2018.

During the year ended December 31, 2018, an additional \$481,417 was transferred to the City of Saskatoon related to other construction costs that had been incurred.

The final settlement related to the capital campaign will be completed subsequent to the building's commissioning period.

City of Saskatoon

The City of Saskatoon has control over Remai Modern.

The gallery recorded revenue from the City of Saskatoon of \$5,474,700 (2017 – \$5,079,700) for the year ended December 31, 2018; of which \$166,932 (2017 – \$646,592) was receivable as at December 31, 2018.

Administration and operations expenses for the year ended December 31, 2018 include a maintenance agreement fee of \$985,200 (2017 – \$760,200) and an energy management fee of \$518,200 (2017 – \$518,200) that are allocated by the City of Saskatoon to the gallery.

Self-generated revenue for the year ended December 31, 2018 includes \$220,000 recognized from the City of Saskatoon for River Landing commissions. The full amount is included in the accounts receivable balance as of December 31, 2018.

As of December 31, 2018, \$55,000 (2017 – \$5,696,403) is accrued for construction costs incurred by the City of Saskatoon and a grant receivable of \$250,000 (2017 – \$250,000) is recorded related to building transition support that was to be provided by the City of Saskatoon.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

Remai Modern Foundation Inc.

Remai Modern has control over the Remai Modern Foundation Inc. ("the Foundation").

The Foundation has approved contributions to Remai Modern of \$620,916 for the year ended December 31, 2018. The full amount is included in the accounts receivable balance as of December 31, 2018. Donation revenue includes \$272,039 in the Operating Fund and \$348,877 in the Permanent Collection Fund related to these contributions.

7 Tangible capital assets

			2018 \$	2017 \$
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and equipment	673,481	97,358	576,123	613,849
Facility upgrades	3,228,660	148,411	3,080,249	2,796,443
Computer equipment and software	735,908	202,801	533,107	593,675
	<u>4,638,049</u>	<u>448,570</u>	<u>4,189,479</u>	<u>4,003,967</u>

The building and land is owned by the City of Saskatoon. The City of Saskatoon provides Remai Modern with a right of use to the property.

8 Permanent collection

The collection consists of 504 (2017 – 469) works of art. During the year, the gallery purchased works of art for a total cost of \$1,656,456 (2017 – \$899,905). Donations to the Mendel and Remai Modern permanent collections during the year included works of art with an appraised fair market value of \$530,490 (2017 – \$768,100). The artwork that is part of the Mendel permanent collection will remain under the control and custody of the Saskatoon Gallery and Conservatory Corporation until Remai Modern Art Gallery is granted Category A status by Heritage Canada.

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

9 Accounts payable and accrued liabilities

	2018 \$	2017 \$
Operating Fund		
Trade accounts payable	371,402	1,400,000
Accrued vacation pay	197,231	200,268
Other accrued liabilities	146,656	-
	<u>715,289</u>	<u>1,600,268</u>
Capital Fund		
City of Saskatoon	55,000	5,696,403
	<u>770,289</u>	<u>7,296,671</u>

10 Deferred revenue

	2018			
	Balance – Beginning of year \$	Funds received \$	Revenue recognized \$	Balance – End of year \$
Frank & Ellen Remai Foundation Inc.	250,000	500,000	(500,000)	250,000
Other restricted contributions and sponsorships	1,125,000	130,025	(381,667)	873,358
Sask Lotteries	-	84,500	-	84,500
Memberships	187,262	250,111	(303,815)	133,558
Gift cards	40,486	24,233	(29,820)	34,899
Advance tickets for Lugo	35,819	29,530	(46,760)	18,589
Lecture Series	76,133	-	-	76,133
	<u>1,714,700</u>	<u>1,018,399</u>	<u>(1,262,062)</u>	<u>1,471,037</u>

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

11 Self-generated revenue

The self-generated revenue is comprised of the following:

	2018	2017
	\$	\$
Admissions	431,406	113,605
Art & Design Store revenue	399,707	134,849
Memberships	303,815	29,113
City of Saskatoon - River Landing commission	220,000	-
Facility rentals, catering and restaurant	206,382	27,777
Tours and workshops	50,033	44,692
Other	34,381	14,719
	<u>1,645,724</u>	<u>364,755</u>

12 Expense summary

	2018	2017
	\$	\$
Salaries and employee benefits	4,090,157	3,109,342
Artwork donated and purchased	2,186,946	1,668,004
City of Saskatoon maintenance agreement fee	985,200	760,200
Exhibition presentation	693,549	311,106
Security guard fees	596,818	230,049
City of Saskatoon energy management fee	518,200	518,200
Transfer to the City of Saskatoon – capital campaign	481,417	5,641,403
Advertising, promotion and stewardship	434,852	372,379
Artist costs	328,009	161,293
Amortization	325,545	123,025
Supplies, telecommunications and printing	307,286	228,286
Cost of goods sold	268,564	69,993
Building transition costs	224,556	708,732
Software, website and other IT costs	193,990	204,568
Professional fees	186,326	147,921
Other	101,854	109,230
Programming	101,035	45,607
Contracted services	96,069	10,416
Insurance	91,656	65,947
Special events, hosting and meetings	85,930	60,650
Art freight costs	79,386	125,091
Repairs and maintenance	71,006	71,091
Travel costs	67,101	50,952
Strategic planning and training	51,479	36,530
Publications	44,794	26,247
Photography	23,793	15,900
	<u>12,635,518</u>	<u>14,872,162</u>

Art Gallery of Saskatchewan Inc. ("Remai Modern")

Notes to Financial Statements

December 31, 2018

13 Comparative figures

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