

# **THE LEIGHTON FOUNDATION**

## **FINANCIAL STATEMENTS (Audited)**

**December 31, 2023**

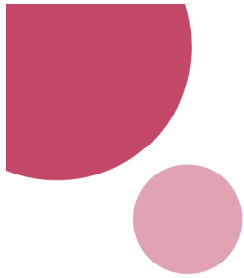


# THE LEIGHTON FOUNDATION

December 31, 2023

## Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11



# Nancy Murdoch

## Chartered Professional Accountant

---

(403) 244-4111 ext. 206  
nancy.murdoch@calgarycommunities.com  
110, 720 - 28 Street NE Calgary, AB T2A 6R3

### **Independent Auditor's Report**

To the members of The Leighton Foundation

#### **Qualified Opinion**

I have audited the Statement of Financial Position of The Leighton Foundation as at December 31, 2023 and the Statements of Operations, Net Assets and Cash Flows and a summary of significant accounting policies and other explanatory notes for the year ended December 31, 2023.

In my opinion, except for the assessment of the ability to continue as a going concern discussed in the Basis for Qualified Opinion paragraph below, these financial statements present fairly as described in the Basis for Opinion paragraph below, in all material respects, the financial position of The Leighton Foundation as at December 31, 2023 and the results of its operations and cash flows for the year ended December 31, 2023 in accordance with Canadian accounting standards for not-for-profit associations.

#### **Basis for Qualified Opinion**

As discussed in Note 2 to the financial statements, the Foundation has had two years of significant negative operating losses. In the current year the unrestricted net assets balance has fallen to a negative position and current cash on hand is not enough to cover your payables. This situation indicates that a material uncertainty exists that may cause significant doubt on the Foundation's ability to continue as a going concern. I have conducted my audit in accordance with Canadian auditing standards. I am independent of The Leighton Foundation in accordance with the ethical requirements that are relevant to my audit and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

#### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit associations and for such internal control as management determines 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 Leighton Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **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 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 of 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 judgement, 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, concluding on the appropriateness of management's use of the going concern basis of accounting as well as evaluating the overall presentation of the financial statements.

I communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.



*Nancy Murdoch  
Chartered Professional  
Accountant*

Calgary, Alberta  
June 17, 2024

Nancy Murdoch  
Chartered Professional Accountant

# THE LEIGHTON FOUNDATION

## STATEMENT OF FINANCIAL POSITION

(Audited)

As at December 31, 2023

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents, unrestricted	\$ 22,596	\$ 99,586
Internally restricted contingency fund	30,000	-
Externally restricted assets (Note 4)	13,741	60,369
Short term investments (Note 5)	31,157	30,546
Accounts receivable	23,879	17,504
Goods and Services Tax receivable	1,066	4,579
Inventory	3,068	5,171
Prepaid expenses	5,434	9,621
	<u>130,941</u>	<u>227,376</u>
<b>Art collection</b>	<b>1</b>	<b>1</b>
<b>Capital assets (Note 6)</b>	<u>177,778</u>	<u>213,796</u>
	<u>\$ 308,720</u>	<u>\$ 441,173</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 116,259	\$ 52,053
Deferred revenue	12,355	14,448
Deferred cash contributions (Note 4)	13,741	60,369
	<u>142,355</u>	<u>126,870</u>
<b>Deferred capital contributions (Note 7)</b>	<u>30,656</u>	<u>58,682</u>
	<u>173,011</u>	<u>185,552</u>
<b>NET ASSETS</b>		
<b>Unrestricted surplus</b>	<b>(41,414)</b>	100,506
<b>Investment in art collection</b>	<b>1</b>	1
<b>Contingency fund</b>	<b>30,000</b>	-
<b>Investment in capital assets</b>	<u>147,122</u>	<u>155,114</u>
	<u>135,709</u>	<u>255,621</u>
	<u>\$ 308,720</u>	<u>\$ 441,173</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

  
Darryl Hass (Jun 17, 2024 14:13 MDT)

Director

  
Jim Conway (Jun 17, 2024 15:35 MDT)

Director

See Notes to the Financial Statements

**THE LEIGHTON FOUNDATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
(Audited)  
For the Year Ended December 31, 2023

	Invested in capital assets	Invested in art collection	Contingency Fund	Unrestricted surplus	2023 Totals	2022 Totals
Balances, beginning of the year	\$ 155,114	1	-	100,506	255,621	345,189
Transfer to contingency fund	-	-	30,000	(30,000)	-	-
Purchase of capital assets	21,510	-	-	(21,510)	-	-
Excess of revenue (deficit)	(29,502)	-	-	(90,410)	(119,912)	(89,568)
Balances, end of the year	<u>\$ 147,122</u>	<u>1</u>	<u>30,000</u>	<u>(41,414)</u>	<u>135,709</u>	<u>255,621</u>

See Notes to the Financial Statements

# THE LEIGHTON FOUNDATION

## STATEMENT OF OPERATIONS

(Audited)

For the Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>		
Contributions from casino	\$ 64,794	\$ 41,261
Contributions from grants	178,460	254,049
Donations and sponsorships	93,358	64,280
Interest and other income (Note 9)	18,293	4,074
Membership fees	23,418	22,513
Sales	512,244	520,356
Subsidies - Wages	56,759	56,782
	<u>947,326</u>	<u>963,315</u>
<b>Expenses</b>		
Advertising and promotion	19,911	24,814
Art supplies	91,119	74,330
Bus service	16,673	15,327
Catering	13,304	4,158
Consignment artists	151,289	166,544
Fundraising	100,451	104,270
Instructors and consultants	26,339	35,859
Interest and bank charges	17,372	15,124
Insurance	20,949	19,815
Janitorial supplies	3,827	42
Office	17,242	15,764
Professional fees	11,869	11,579
Property taxes	2,253	2,188
Repairs and maintenance	12,054	18,070
Travel	353	2,429
Utilities	29,145	22,876
Volunteer appreciation	2,841	1,863
Wages and benefits	500,746	489,149
	<u>1,037,737</u>	<u>1,024,201</u>
<b>Excess of revenue (expenses) before amortization</b>	<b>(90,411)</b>	<b>(60,886)</b>
Amortized contributions (Note 7)	28,026	28,026
Amortization expense	<u>(57,527)</u>	<u>(56,708)</u>
<b>Excess of expenses</b>	<b>\$ <u>(119,912)</u></b>	<b>\$ <u>(89,568)</u></b>

See Notes to the Financial Statements

# THE LEIGHTON FOUNDATION

## STATEMENT OF CASH FLOWS

(Audited)

For the Year Ended December 31, 2023

	2023	2022
<b>Funds provided by (used In) operations:</b>		
Excess of revenue (deficit)	\$ (119,912)	\$ (89,568)
Changes in non-cash operating working capital		
Amortization	57,527	56,708
Amortization of deferred capital contributions	<u>(28,026)</u>	<u>(28,026)</u>
	<u>(90,411)</u>	<u>(60,886)</u>
Changes in non-cash operating working capital:		
Account receivable	(6,375)	(5,875)
Prepaid expenses	4,187	(6,440)
Inventory	2,103	(1,904)
Accounts payable and accrued liabilities	64,207	24,708
Goods and Services Tax	3,513	(10,124)
Deferred revenue	<u>(2,093)</u>	<u>1,326</u>
	<u>65,542</u>	<u>1,691</u>
<b>Cash flows from operations</b>	<u>(24,869)</u>	<u>(59,195)</u>
<b>Cash flows from financing activities</b>		
Receipt of casino proceeds	-	71,987
Receipt of grant funding	251,383	342,864
Use of deferred cash contributions	<u>(299,232)</u>	<u>(408,820)</u>
	<u>(47,849)</u>	<u>6,031</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(21,510)	(154,427)
Proceeds from matured GIC investments	-	20,000
Interest reinvested in GICs	610	-
	<u>(20,900)</u>	<u>(134,427)</u>
<b>Increase (decrease) In cash and cash equivalents</b>	<u>(93,618)</u>	<u>(187,591)</u>
<b>Cash and cash equivalents, beginning of the year</b>	<u>159,955</u>	<u>347,546</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 66,337</u>	<u>\$ 159,955</u>
<b>Cash and cash equivalents consists of:</b>		
Unrestricted cash	\$ 22,596	\$ 99,586
Internally restricted cash	30,000	-
Externally restricted cash	<u>13,741</u>	<u>60,369</u>
	<u>\$ 66,337</u>	<u>\$ 159,955</u>

See Notes to the Financial Statements



# THE LEIGHTON FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

December 31, 2023

### 1. NATURE OF THE ORGANIZATION

The Leighton Foundation (the Foundation) was incorporated as a not-for-profit organization under the Societies Act of Alberta on September 18, 1974. The Foundation is a registered charity under the Income Tax Act and is therefore exempt from income tax.

The Foundation was established as custodian for the public interest from the estate of A.C. and Barbara Leighton to preserve the paintings of A.C. Leighton, provide encouragement and education to local artists and cultivate public awareness and appreciation for art through the use of its property, collection, exhibition space and buildings which include the Leighton Residence and three working studios on 80 acres of land overlooking Millarville Valley and the Rocky Mountains. The Foundation hosts exhibitions and sales of works of local artists and operates art, craft and conservation classes. To fulfil its commitment for services to the community, the Foundation operates classes for adults and children throughout the year with special week long classes for children in the summer.

### 2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Foundation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There are adverse conditions and events that cast substantial doubt upon the validity of this assumption at December 31, 2023. The Foundation does not have enough unrestricted cash to discharge the accounts payable, even if the amount that has been set aside as a contingency fund is used. The amounts paid out to consignment artists in December have not been paid in full this year which may put your membership revenue at risk in the coming year. The Foundation has had two years of substantial net losses.

The Foundation's ability to continue to service its members is dependent on the continued ability to maintain its assets, to generate revenue and to manage expenses to reach future positive operations and, as well, dependent on the actions of creditors. In late 2023 the Foundation implemented a new staffing model and paused the capital fundraising campaign. Immediately subsequent to the year end, the Foundation held a casino event, the proceeds of which increased externally restricted cash that allowed some payables covered under the allowed use of proceeds to be discharged. The Foundation also has access to a revolving line of credit that, when used, could assist cash flow management. The plan to increase earned revenue consists of increasing program offerings and making changes to the program fee structure to ensure operating costs are covered.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption was not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the "going concern" assumption used in preparing these financial statements.

# THE LEIGHTON FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

December 31, 2023

### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

#### (a) Revenue Recognition

The Foundation uses the deferral method of recording externally restricted contributions. Under the deferral method externally restricted contributions are recognized as revenue in the year that the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Operating grants, operating and investment income is recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership fees are recognized in the quarterly period to which they relate.

Revenue received from the Endowment Fund at the Calgary Foundation is recognized when received.

#### (b) Inventory

Inventory is comprised of art for resale, books, cards and sundries and is recorded at the lower of cost and net realizable value. Cost is determined using the specific identification inventory method.

#### (c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value as at the date of contribution. Amortization is recorded on the straight line basis over the estimated useful lives of the capital assets as follows:

Buildings, fences and roads	10 and 20 years
Furniture and fixtures	10 years
Automotive	4 years
Equipment	5 years
Website	4 years

#### (d) Collection

The estate of Barbara Leighton was completed in 1995. At that time the Foundation took legal title to the building, land and paintings which it already occupied and held. While there was a stated value of the bequest for probate purposes, the importance and value of these properties in assisting the Foundation in achieving its goals is considered invaluable. As a consequence, rather than ascribe a value to the properties, the Foundation chose to carry the entire bequest at the nominal value of \$1 for accounting purposes.

# THE LEIGHTON FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

December 31, 2023

### 3. SIGNIFICANT ACCOUNTING POLICIES Continued...

The estate of Barbara Leighton was completed in 1995. At that time the Foundation took legal title to the building, land and paintings which it already occupied and held. While there was a stated value of the bequest for probate purposes, the importance and value of these properties in assisting the Foundation in achieving its goals is considered invaluable. As a consequence, rather than ascribe a value to the properties, the Foundation chose to carry the entire bequest at the nominal value of \$1 for accounting purposes.

The permanent art collection is comprised of A.C. Leighton and Barbara Leighton artworks, sketches, postcards, lithographs, photographs, etchings, books, furniture, personal items and unknown paintings. At December 31, 2023 the permanent art collection is not specifically insured beyond the insurance for general building contents.

Donations and bequests to the collection are recorded upon receipt at estimated fair market value at the date of donation. Effective in 1999, all art work included in the collection is carried at the nominal value of \$1 for accounting purposes, therefore art work donated to the Foundation which is included in the collection must be expensed on the statement of operations in the year of donation in order that the carried value of the collection remains at \$1.

Donation of other capital assets or art work that are not considered part of the collection are recorded at the lower of amortized cost and net realizable value until disposal or sale.

#### (e) Measurement Uncertainty and the Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Foundation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates of the collectibility of receivables, the useful lives of capital assets and liability accruals are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

### 4. EXTERNALLY RESTRICTED ASSETS / DEFERRED CASH CONTRIBUTIONS

Deferred cash contributions represent contributions externally restricted for expenditures according to the specific grant contract. Casino proceeds are restricted by Alberta Gaming and Liquor Commission to be spent on previously approved items. Grant funding is restricted by parameters on spending within each grant contract.

	<b>2023</b>	<b>2022</b>
Gaming funds (casino and raffle) held in casino bank account	\$ 2,717	\$ 57,039
Restricted grant funds held in designated funds account	10,337	2,643
Restricted grant funds held in operating account	687	687
	<b>\$ 13,741</b>	<b>\$ 60,369</b>

# THE LEIGHTON FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

December 31, 2023

### 5. INVESTMENTS

	<u>2023</u>	<u>2022</u>
GIC, 3.25%, maturing December 2024, non-redeemable	\$ 31,157	\$ -
GIC, 1.0%, matured December 2023, non-redeemable	-	30,546
Short term investment	<u>\$ 31,157</u>	<u>\$ 30,546</u>

### 6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023 Net</u>	<u>2022 Net</u>
Building improvements	\$ 310,113	213,194	96,919	84,589
Leasehold - Sprung building	139,326	92,884	46,442	92,884
Parking lot	19,811	19,811	-	-
Equipment	60,208	43,797	16,411	18,857
Office equipment	39,589	34,635	4,954	6,711
Website	30,000	30,000	-	-
Signage	3,500	350	3,150	-
Furniture and fixtures	33,498	23,596	9,902	10,755
	<u>\$ 636,045</u>	<u>458,267</u>	<u>177,778</u>	<u>213,796</u>

### 7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent externally restricted funding or donations received to assist in the purchase of capital assets and are recognized as revenue on the same basis that the related asset is amortized.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 58,682	\$ 11,708
Contributions received during the year	-	75,000
Amortized to revenue	<u>(28,026)</u>	<u>(28,026)</u>
Balance, end of the year	<u>\$ 30,656</u>	<u>\$ 58,682</u>

### 8. BANK INDEBTEDNESS

The Foundation has a revolving independent business loan with a credit limit of \$30,000, none of which was outstanding at December 31, 2023.

# THE LEIGHTON FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

(Audited)

December 31, 2023

### 9. INTEREST AND OTHER INCOME

	<u>2023</u>	<u>2022</u>
Interest income	\$ 375	\$ 564
Distribution from endowment (Note 10)	2,994	2,994
Christmas in the Country	-	-
Harvest Dinner	480	480
Clothesline Sales	-	-
Other income	36	36
	<u>\$ 18,293</u>	<u>\$ 4,074</u>

### 10. ENDOWMENT FUND AT THE CALGARY FOUNDATION

An endowment fund in the name of The Leighton Art Centre has been established at The Calgary Foundation. Investment income earned on this fund will be retained by The Calgary Foundation as part of the endowment. Distributions from the endowment fund are recorded as revenue in the year received (Note 9). The principal of the endowment is recorded as an asset of The Calgary Foundation. Revenue and expenses of the endowment fund are not recorded in these financial statements.

### 11. CONTRIBUTED MATERIALS AND SERVICES

Contributed materials and services are recognized in the financial statements when the fair value can be reasonably estimated, when the materials or services are used in the normal course of the Foundation's operations and when they would otherwise have been purchased. Contributions for the year ended December 31, 2023 include \$Nil in contributed services and materials (2022- \$Nil).

### 12. RELATED PARTY TRANSACTIONS

During the year \$20,050 in donations were received from board members.

### 13. FUNDRAISING EXPENSES

As required under section 7(2) of the Charitable Fundraising Regulation of Alberta, the following amounts are disclosed:

Direct costs incurred for the purpose of soliciting contributions  
\$100,451 (2022 - \$104,270)

Amounts paid as remuneration to employees whose principal duties involve fundraising  
\$21,000 (2022 - \$21,000)

### 14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year presentation.