

Financial Statements of

NIAGARA ARTISTS' COMPANY

For the year ended June 30, 2008

Popoli Del Monaco

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Directors of Niagara Artists' Company

We have audited the statement of financial position of the Niagara Artists' Company as at June 30, 2008 and the statement of operations, statement of changes in fund balances, and statement of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many non-for-profit organizations, the organization derives part of its revenue from fundraising, rents, lottery, membership and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the fundraising, rents, lottery, membership and donation revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Niagara Artists' Company as at June 30, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants
Licensed Public Accountants**

**Thorold, Canada
January 5, 2009**

NIAGARA ARTISTS' COMPANY

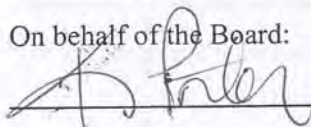
Statement of Financial Position

June 30, 2008, with comparatives for June 30, 2007

	2008	2007
Assets		
Current Assets:		
Cash	\$ 87,085	\$ 50,635
Accounts receivable	9,294	8,261
GST rebate receivable	1,302	7,769
Prepaid expenses	5,039	6,675
	<u>102,720</u>	<u>73,340</u>
Capital Assets (note 2):		
Land	67,027	67,027
Building	209,212	205,975
Computer equipment	7,061	7,061
Equipment	25,605	25,303
	<u>308,905</u>	<u>305,366</u>
Less: accumulated depreciation	<u>42,517</u>	<u>31,986</u>
	<u>266,388</u>	<u>273,380</u>
	<u>\$ 369,108</u>	<u>\$ 346,720</u>
Liabilities and Fund Balances		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 11,671	\$ 16,656
Deferred revenue - grants (note 3)	59,250	57,546
Current portion of mortgage payable	3,675	-
	<u>74,596</u>	<u>74,202</u>
Mortgage payable (note 4)	255,932	259,900
Fund Balances:		
General fund (deficit)	31,799	(862)
Invested in capital assets	6,781	13,480
	<u>38,580</u>	<u>12,618</u>
	<u>\$ 369,108</u>	<u>\$ 346,720</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

Director

NIAGARA ARTISTS' COMPANY

Statement of Operations

For the year ended June 30, 2008, with comparatives for the year ended June 30, 2007

	2008	2007
Revenue:		
Grant revenue (Schedule 1)	\$ 111,148	\$ 128,312
Bingo revenue	7,390	11,618
Donations (note 5)	42,052	5,475
General fundraising	59,711	11,607
Merchandise fundraising	1,844	5,428
Membership revenue	7,269	4,795
Rental revenue	8,155	6,698
Miscellaneous revenue	424	357
	<u>237,993</u>	<u>174,290</u>
Expenditures:		
Advertising	2,237	1,590
Artist fees	15,156	13,438
Artist travel and transportation	3,021	551
Bank charges and interest	1,375	1,001
Contracted services	7,696	—
Depreciation	10,529	11,455
Documentation	3,780	5,613
General fundraising expenses (note 5)	57,537	3,262
Merchandise and publication expense	2,282	5,588
Honorariums	—	908
Hospitality expenses	1,544	1,779
Installation of exhibits	1,949	2,941
Insurance	3,272	3,386
Interest on long-term debt	1,704	—
Office expenses	3,596	2,288
Professional development	470	7,768
Professional fees	4,643	4,475
Property taxes	1,243	5,018
Repairs and maintenance	3,314	1,432
Subscriptions and memberships	385	1,006
Telephone	1,299	1,124
Utilities	9,404	10,219
Wages and benefits	72,875	75,662
SCCIP sponsorship program expenses	2,720	12,420
	<u>212,031</u>	<u>172,924</u>
Excess of revenue over expenditures	<u>\$ 25,962</u>	<u>\$ 1,366</u>

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY

Statement of Changes in Fund Balances

For the year ended June 30, 2008, with comparatives for the year ended June 30, 2007

	General Fund	Invested in Capital Assets	2008 Total	2007 Total
Balance, beginning of year	(\$ 862)	\$ 13,480	\$ 12,618	\$ 11,252
Excess of revenue over expenditures (expenditures over revenue)	36,491	(10,529)	25,962	1,366
Investment in capital assets (net)	(3,830)	3,830	—	—
Balance, end of year	\$ 31,799	\$ 6,781	\$ 38,580	\$ 12,618

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Grant Revenue

For the year ended June 30, 2008, with comparatives for the year ended June 30, 2007

	2008	2007
Grant Revenue:		
Canada Council for the Arts	\$ 41,000	\$ 41,000
Canada Council for the Arts - SOFI	11,163	—
Ontario Art Council	24,200	19,200
HRDC	2,183	4,200
Ministry of Training, Colleges and Universities	3,456	—
Brock University Faculty of Business	—	2,000
Trillium Foundation	14,296	29,431
District School Board of Niagara	—	221
Niagara Community Foundation	130	140
Canadian Arts and Heritage	—	1,350
City of St. Catharines	—	1,350
SCCIP - operating	12,000	12,000
SCCIP - development	—	5,000
SCCIP - sponsorship program revenue	2,720	12,420
	<u>\$ 111,148</u>	<u>\$ 128,312</u>

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY

Statement of Cash Flows

For the year ended June 30, 2008, with comparatives for the year ended June 30, 2007

	2008	2007
Cash provided by (used in):		
Operating Activities:		
Excess of revenue over expenditures	\$ 25,962	\$ 1,366
Items not affecting cash		
Amortization of capital assets	10,529	11,455
Change in non-cash operating working capital		
Accounts receivable	(1,033)	(4,905)
GST rebate receivable	6,467	(1,491)
Prepaid expenses	1,636	(4,800)
Accounts payable and accrued liabilities	(4,985)	1,078
Deferred revenue - operating	1,704	(17,181)
	<u>40,280</u>	<u>(14,478)</u>
Investing Activities:		
Acquisition of capital assets (net)	(3,537)	(4,558)
	<u>(3,537)</u>	<u>(4,558)</u>
Financing Activities:		
Mortgage payable (repayment)	(293)	—
	<u>(293)</u>	<u>—</u>
Increase (decrease) in cash position	36,450	(19,036)
Cash position, beginning of year	50,635	69,671
Cash position, end of year	<u>\$ 87,085</u>	<u>\$ 50,635</u>

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 1

For the year ended June 30, 2008

The Niagara Artists' Company is incorporated under the laws of Ontario, as a corporation without share capital and is a non-profit organization, committed to exhibiting art. Niagara Artists' Company is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of Significant Accounting Policy:

(a) Revenue Recognition:

Niagara Artists' Company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other types of income are recognized as revenue when earned.

(b) Donated services:

The organization does not record the value of donated services in the financial statements.

(c) Capital Assets:

Acquisitions of capital assets are recorded at cost. Contributed capital assets are recorded at the fair value of the asset at the time of contribution. Amortization is provided at rates as set out below with half the rate being used in the year of addition on the declining balance method.

Asset	Basis	Rate
Building	Declining balance	4%
Computer equipment	Declining balance	30%
Equipment	Declining balance	20%

(d) Use of Estimates:

The preparation of the organization's financial statement in conformity with Canadian generally accepted accounting principles 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 balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(Con'd)

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 2

For the year ended June 30, 2008

1. Summary of Significant Accounting Policy (con'd):

(e) Financial instruments

The organization has adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement; CICA Handbook Section 3865, Hedges; and the amendments to CICA handbook Sections and Accounting Guidelines resulting from the issuance of these Sections. Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading, or available-for-sale and all financial liabilities must be classified as held-for-trading or other. Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in net income. Financial assets classified as held-to-maturity or as loans and receivables and financial liabilities not classified as held-for-trading will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value.

The organization has classified its financial instruments as follows:

Cash	Held-for-Trading
Receivables	Loans and Receivables
Accounts payable and accrued liabilities	Other Liabilities

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

2. Capital Assets:

	Cost	Accumulated Depreciation	Net Book Value 2008	Net Book Value 2007
Land	\$ 67,027	\$ -	\$ 67,027	\$ 67,027
Building	209,212	19,882	189,330	193,915
Computer equipment	7,061	6,429	632	903
Equipment	25,605	16,206	9,399	11,535
	<u>\$ 308,905</u>	<u>\$ 42,517</u>	<u>\$ 266,388</u>	<u>\$ 273,380</u>

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 3

For the year ended June 30, 2008

3. Deferred Revenue - Grants:

During the year, the organization received grant monies from organizations. Certain grants have been deferred as they relate to the 2008 fiscal year end. Other monies have been deferred and will be realized when the monies are expended.

	2008	2007
Balance, beginning of year	\$ 57,546	\$ 74,727
Received during the year	59,720	58,250
Realized as revenue	(58,016)	(75,431)
<u>Balance, end of year</u>	<u>\$ 59,250</u>	<u>\$ 57,546</u>

4. Mortgage payable:

Mortgage payable consists of the following:	2008	2007
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%; the mortgage is held by a member of the Board of Directors of the organization	<u>\$ 259,607</u>	<u>\$ 259,900</u>
Less: Current portion	<u>(3,675)</u>	<u>-</u>
	<u>\$ 255,932</u>	<u>\$ 259,900</u>

The principal payments over the next five years are as follows:

2009	\$ 3,675
2010	3,974
2011	4,299
2012	4,650
2013	5,029

Total interest expense on the long-term debt charged for the year is \$1,704.

5. Donations and General Fundraising Expenses:

Included in donations revenue and general fundraising expenses is an amount of \$32,995 for donated goods.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 4

For the year ended June 30, 2008

6. Audrey Schimizu Memorial Donations:

The organization has entered into an agreement with the Niagara Community Foundation whereby the Foundation will hold on deposit for the Niagara Artists' Company monies relating to the Audrey Schimizu Memorial donations. The Foundation will invest the monies and distribute the earnings from the investment annually to the Niagara Artists' Company. As at the year end the capital amount on deposit was \$13,112.

7. Comparative Amounts:

Certain comparative amounts from 2007 have been reclassified to conform to the presentation adopted for 2008.