

Financial Statements of

**NIAGARA ARTISTS' COMPANY**

For the year ended June 30, 2011



## INDEPENDENT AUDITORS' REPORT

### To the Members of Niagara Artists' Company

We have audited the accompanying financial statements of Niagara Artists' Company which comprise the statement of financial position as at June 30, 2011, the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(con'd)

## SILVANA DEL MONACO

Professional Corporation Chartered Accountant

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### **Basis for Qualified Opinion**

In common with many non-for-profit organizations, Niagara Artists' Company derives part of its revenue from fundraising events, rents, lottery, membership and donation revenue 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 expenditures over revenue, assets and net assets.

### **Qualified Opinion**

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of Niagara Artists' Company and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### **Other Matters**

The financial statements of Niagara Artists' Company for the year ended June 30, 2010 were audited by another auditing firm who expressed a qualified opinion for fundraising, rents, lottery, membership and donation revenue on the statements dated June 30, 2010.



**SILVANA DEL MONACO  
PROFESSIONAL CORPORATION**

Authorized to practice public accounting by  
The Institute of Chartered Accountants of Ontario

St. Catharines, Ontario  
December 1, 2011



# NIAGARA ARTISTS' COMPANY

## Statement of Financial Position

June 30, 2011, with comparatives for June 30, 2010

	2011	2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 43,407	\$ 64,887
Accounts receivable	20,004	3,690
HST recoverable	13,380	5,493
Inventory	7,793	10,268
Prepaid expenses	2,123	2,965
	<u>86,707</u>	<u>87,303</u>
<b>Capital Assets (note 2):</b>		
Land	67,027	67,027
Building	271,729	270,146
Computer equipment	9,934	9,934
Furnishings	26,117	26,117
Installation and resource equipment	26,325	20,157
	<u>401,132</u>	<u>393,381</u>
<u>Less: accumulated depreciation</u>	<u>87,977</u>	<u>71,678</u>
	313,155	321,703
	<u>\$ 399,862</u>	<u>\$ 409,006</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

	2011	2010
<b>Liabilities and Fund Balances</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 15,514	\$ 12,497
Deferred revenue – operating grants (note 3)	–	49,200
Deferred revenue – Ontario Trillium grant (note 4)	43,883	34,194
Deferred revenue – other (note 5)	37,968	–
Current portion of mortgage payable (note 6)	4,650	4,299
	<u>102,015</u>	<u>100,190</u>
Mortgage payable (note 6)	243,010	247,659
Deferred contributions – capital (note 7)	29,794	29,715
	<u>272,804</u>	<u>277,374</u>
Net Assets	25,043	31,442
	<u>\$ 399,862</u>	<u>\$ 409,006</u>

## NIAGARA ARTISTS' COMPANY

### Statement of Operations and Changes in Net Assets

For the year ended June 30, 2011, with comparatives for the year ended June 30, 2010

	2011	2010
<b>Revenue:</b>		
Earned revenue (Schedule 1)	\$ 34,964	\$ 36,912
Investment revenue (Schedule 1)	668	508
Private sector revenue (Schedule 1)	114,228	59,621
Grant revenue (Schedule 1)	161,551	128,280
	<u>311,411</u>	<u>225,321</u>
<b>Expenditures:</b>		
Artistic, technical and programming expenses (Schedule 2)	147,519	109,186
Facility operating expenses (Schedule 2)	50,890	53,252
Marketing and communication expenses (Schedule 2)	14,920	11,626
Administration expenses (Schedule 2)	40,386	35,702
General fundraising expenses	51,016	17,459
	<u>304,731</u>	<u>227,225</u>
Excess revenue over expenditures (expenditures over revenue) before capital items	6,680	(1,904)
<b>Capital items:</b>		
Amortization of capital assets	(16,300)	(16,200)
Amortization of deferred contributions - capital	3,221	3,254
	<u>(13,079)</u>	<u>(12,946)</u>
Excess of revenue over expenditures (expenditures over revenue)	(6,399)	(14,850)
Balance, net assets beginning of year	31,442	46,292
<b>Balance, net assets end of year</b>	<u>\$ 25,043</u>	<u>\$ 31,442</u>

See accompanying notes to financial statements.

**NIAGARA ARTISTS' COMPANY**
**SCHEDULE 1**

## Schedule of Revenue

For the year ended June 30, 2011, with comparatives for the year ended June 30, 2010

	2011	2010
<b>Earned Revenue:</b>		
Presenting admissions	\$ --	\$ 90
Other artistic revenue	2,870	1,591
Workshops, meetings and classes	1,675	2,200
Memberships	8,489	6,829
Art sales and commissions	1,009	3,965
Facilities and equipment rental	20,167	19,334
Other earned revenue	754	2,903
	<b>\$ 34,964</b>	<b>\$ 36,912</b>
<b>Investment Revenue:</b>		
Endowment revenue	\$ 668	\$ 451
Interest revenue	--	57
	<b>\$ 668</b>	<b>\$ 508</b>
<b>Private Sector Revenue:</b>		
Individual donations	\$ 10,510	\$ 21,465
Corporate donations and sponsorships	21,200	11,750
Foundation grants	19,973	--
General fundraising revenue	59,418	23,029
Bingo	2,637	3,377
Other	490	--
	<b>\$ 114,228</b>	<b>\$ 59,621</b>
<b>Grant Revenue:</b>		
Canada Council for the Arts	\$ 49,200	\$ 49,200
Ontario Art Council	26,600	26,600
Ontario Art Council – Compass	1,554	--
Ontario Art Council – Arts Investment Fund	6,190	--
Service Canada	4,346	3,953
Ministry of Training, Colleges and Universities	--	1,401
Ontario Trillium Foundation	53,811	29,306
SCCIP – sustaining program	17,500	17,500
SCCIP - development	--	50
SCCIP – sponsorship program	2,350	270
	<b>\$ 161,551</b>	<b>\$ 128,280</b>

See accompanying notes to financial statements.

# NIAGARA ARTISTS' COMPANY

# SCHEDULE 2

## Schedule of Expenditures

For the year ended June 30, 2011, with comparatives for the year ended June 30, 2010

	2011	2010
<b>Artistic, Technical and Programming Expenses:</b>		
Artists' and professional fees	\$ 17,885	\$ 14,840
Artistic salaries and benefits	85,972	57,637
Production and technical services	1,343	234
Exhibition, programming and production expenses	9,635	10,457
Professional development programming for arts community	4,904	2,149
Catalogue and documentation expense	4,067	5,628
Education, audience development and outreach	20,732	12,814
Other artistic program and services	631	5,157
SCCIP sponsorships	2,350	270
	<b>\$ 147,519</b>	<b>\$ 109,186</b>
<b>Facility Operating Expenses:</b>		
Facility operating salaries and benefits	\$ 10,657	\$ 9,770
Insurance	2,986	3,382
Interest on long-term debt	19,676	20,000
Property taxes	2,926	3,004
Repairs and maintenance	4,924	5,893
Telephone	1,494	1,191
Utilities	8,227	10,012
	<b>\$ 50,890</b>	<b>\$ 53,252</b>
<b>Marketing and Communication Expenses:</b>		
Marketing & communication salaries and benefits	\$ 8,313	\$ 6,710
Marketing & communication professional fees	1,997	648
Marketing production fees	4,221	3,550
Advertising purchases	94	552
Other marketing and communications expenses	295	166
	<b>\$ 14,920</b>	<b>\$ 11,626</b>
<b>Administration Expenses:</b>		
Administration salaries and benefits	\$ 29,791	\$ 25,210
Professional fees	6,869	5,456
Bank charges and interest	2,312	2,010
Office supplies	1,381	1,789
Other administration expenses	33	1,237
	<b>\$ 40,386</b>	<b>\$ 35,702</b>

See accompanying notes to financial statements.



# NIAGARA ARTISTS' COMPANY

## Statement of Cash Flows

For the year ended June 30, 2011, with comparatives for the year ended June 30, 2010

	2011	2010
Cash provided by (used in):		
<b>Operating Activities:</b>		
Excess of revenue over expenditures	(\$ 6,399)	(\$ 14,850)
Items not affecting cash		
Amortization of deferred contributions	(3,221)	(3,254)
Amortization of capital assets	16,300	16,200
Change in non-cash operating working capital		
Accounts receivable	(16,314)	11,605
HST recoverable	(7,887)	(2,434)
Inventory	2,475	2,448
Prepaid expenses	842	(2,625)
Accounts payable and accrued liabilities	3,016	(30,795)
Deferred revenue – operating grants	(49,200)	48,200
Deferred revenue – Ontario Trillium grant	9,689	34,194
Deferred revenue – other	37,968	--
	(12,731)	58,689
<b>Investing Activities:</b>		
Acquisition of capital assets	(7,751)	(21,472)
Deferred contributions - capital received	3,300	950
	(4,451)	(20,522)
<b>Financing Activities:</b>		
Mortgage payable (repayment)	(4,298)	(3,974)
	(4,298)	(3,974)
Increase (decrease) in cash position	(21,480)	34,193
Cash position, beginning of year	64,887	30,694
<b>Cash position, end of year</b>	<b>\$ 43,407</b>	<b>\$ 64,887</b>

See accompanying notes to financial statements.

# NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 1

For the year ended June 30, 2011

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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, such as donations, fundraising, and membership are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized as revenue when earned.

### (b) Inventory:

Inventory consists of catalogues and is valued at the lower of cost and net realizable value. Cost has been determined on the first-in, first-out basis.

### (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%
Furnishings	Declining balance	20%
Installation and resource equipment	Declining balance	30%

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# NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 2

For the year ended June 30, 2011

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

### (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.

### (e) Donated services:

Donated services are not recognized in the financial statements due to the difficulty of determining their fair value.

### (f) 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 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
Accounts receivable	Loans and Receivables
Accounts payable and accrued liabilities	Other Liabilities
Mortgage payable	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.

# NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 3

For the year ended June 30, 2011

## 2. Capital Assets:

	Cost	Accumulated Depreciation	Net Book Value 2011	Net Book Value 2010
Land	\$ 67,027	\$ --	\$ 67,027	\$ 67,027
Building	271,729	47,118	224,611	232,353
Computer equipment	9,934	8,521	1,413	2,019
Furnishings	26,117	20,936	5,181	6,476
Installation and resource equipment	26,325	11,402	14,923	13,828
	<u>\$ 401,132</u>	<u>\$ 87,977</u>	<u>\$ 313,155</u>	<u>\$ 321,703</u>

## 3. Deferred Revenue - Operating Grants:

	2011	2010
Balance, beginning of year	\$ 49,200	\$ 1,000
Received during the year	--	49,200
Realized as revenue	(49,200)	(1,000)
Balance, end of year	<u>\$ --</u>	<u>\$ 49,200</u>

## 4. Deferred Revenue – Ontario Trillium Grant:

During the year, the organization received grant monies from the Ontario Trillium Foundation in accordance with the terms of an approved funding agreement. Certain amounts have been deferred and will be realized when expended.

	2011	2010
Balance, beginning of year	\$ 34,194	\$ --
Received during the year	63,500	63,500
Realized as revenue	(53,811)	(29,306)
Balance, end of year	<u>\$ 43,883</u>	<u>\$ 34,194</u>

# NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 4

For the year ended June 30, 2011

## 5. Deferred Revenue - Other

Changes in the deferred revenue balances are as follows:

	City of St. Catharines	Ontario Arts Council	Ministry of Tourism	Laidlaw Foundation	Total 2011	Total 2010
Balance, beginning	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Amounts received during year	4,500	5,000	20,025	29,970	59,495	--
Amounts realized during year	--	(1,554)	--	(19,973)	(21,527)	--
Balance, ending	\$ 4,500	\$ 3,446	\$20,025	\$ 9,997	\$ 37,968	\$ --

## 6. Mortgage payable:

Mortgage payable consists of the following:	2011	2010
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%	<u>\$ 247,660</u>	<u>\$ 251,958</u>
Less: Current portion	<u>(4,650)</u>	<u>(4,299)</u>
	<u>\$ 243,010</u>	<u>\$247,659</u>

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

2012	\$ 4,650
2013	5,029
2014	5,439
2015	5,883
2016	5,814

Total interest expense on the long-term debt charged for the year is \$19,676.

# NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 5

For the year ended June 30, 2011

## 7. Deferred Contributions - Capital:

The organization receives capital contributions to be used to acquire capital assets. The grant monies are being amortized to revenue over the estimated useful lives of the assets acquired.

	2011	2010
Balance, beginning of year	\$ 29,715	\$ 32,019
City of St. Catharines grants	—	950
Niagara Community Foundation	3,300	—
	3,300	950
Amortized to revenue	(3,221)	(3,254)
Balance, ending of year	\$ 29,794	\$ 29,715

## 8. 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 (2011 - \$668; 2010 - \$451). As at the year end the capital amount on deposit was \$14,362.

## 9. Commitments:

Office equipment is leased under agreements with payments currently totalling \$803 (plus sales taxes) per year.

## 10. Capital Disclosure:

The organization considers its capital to be the balance maintained in its fund balances. The primary objective of the organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the organization with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The organization is not subject to any externally imposed requirements of its capital.

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 6

For the year ended June 30, 2011

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### 11. Financial Instruments:

#### *Fair value*

Based on management's best estimates, the carrying value of cash, accounts receivable, accounts payable and accrued liabilities represent the fair value of these amounts at June 30, 2011 due to their short-term maturity.

### 12. Comparative figures:

The comparative figures have been audited by another auditing firm as stated in the Independent Auditors' Report dated December 1, 2011.