

**NIAGARA ARTISTS' COMPANY**  
**Financial Statements**

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Year Ended June 30, 2012

# **NIAGARA ARTISTS' COMPANY**

Index to the Financial Statements

Year Ended June 30, 2012

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## INDEPENDENT AUDITORS' REPORT

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### 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, 2012, and the statement of operations and changes in net assets and the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**SILVANA DEL MONACO**

Professional Corporation Chartered Accountant

11 Race Street, Suite 201, St. Catharines ON L2R 3M1 • TEL: 905-685-0050 • FAX: 905-685-0052  
76 Division Street, Suite 101, Welland, ON L3B 3Z7 • TEL: 905-734-6303 • FAX: 905-734-6813

[www.sdelmonaco.ca](http://www.sdelmonaco.ca)

### **Basis for Qualified Opinion**

In common with many non-for-profit organizations, NIAGARA ARTISTS' COMPANY derives part of its revenue from presenting admissions, 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.



**SILVANA DEL MONACO**  
**Professional Corporation**  
**Authorized to practice**  
**public accounting by the Institute**  
**of Chartered Accountants of Ontario**

**St. Catharines, Ontario**  
**November 30, 2012**



**NIAGARA ARTISTS' COMPANY**

Statement of Financial Position as at June 30, 2012

ASSETS	2012	2011
Current Assets		
Cash	\$75,671	\$43,407
Accounts receivable	12,571	20,004
HST recoverable	11,515	13,380
Inventory	6,741	7,793
Prepaid expenses	361	2,123
	<u>106,859</u>	<u>86,707</u>
Capital Assets (note 2)		
Land	67,027	67,027
Building	275,733	271,729
Computer equipment	9,934	9,934
Furnishings	26,117	26,117
Installation and resource equipment	50,725	26,325
	<u>429,536</u>	<u>401,132</u>
Less: accumulated depreciation	<u>106,639</u>	<u>87,977</u>
	<u>322,897</u>	<u>313,155</u>
	<u>\$429,756</u>	<u>\$399,862</u>

See accompanying notes to the financial statements

On Behalf of the Board of Directors:

Director: Director: 



LIABILITIES AND NET ASSETS	2012	2011
Current liabilities		
Accounts payable and accrued liabilities	\$11,998	\$11,917
Employee deductions payable	3,276	3,597
Deferred revenue - Canada Council for the Arts (note 3)	54,200	-
Deferred revenue - Ontario Trillium Foundation (note 4)	45,518	43,883
Deferred revenue - Regional Municipality - Niagara Here (note 5)	15,956	-
Deferred revenue - Regional Municipality - Art of Fact (note 6)	450	-
Deferred revenue - other grants (note 7)	5,820	37,968
Deferred revenue - program	2,600	-
Current portion of mortgage payable (note 8)	5,029	4,650
	<u>144,847</u>	<u>102,015</u>
Mortgage payable (note 8)	237,982	243,010
Deferred contributions - capital (note 9)	44,977	29,794
	<u>282,959</u>	<u>272,804</u>
Net Assets	1,950	25,043
	<u>\$429,756</u>	<u>\$399,862</u>

**NIAGARA ARTISTS' COMPANY**

Statement of Operations and Changes in Net Assets for the year ended June 30, 2012

	2012	2011
<b>Revenue</b>		
Earned revenue (Schedule 1)	\$69,728	\$34,964
Investment revenue (Schedule 1)	435	668
Private sector revenue (Schedule 1)	76,236	116,440
Grant revenue (Schedule 1)	310,439	161,551
	<u>456,838</u>	<u>313,623</u>
<b>Expenditures</b>		
Artistic, technical and programming expenses (Schedule 2)	303,775	147,519
Facility operating expenses (Schedule 2)	54,001	50,890
Marketing and communication expenses (Schedule 2)	42,636	14,920
Administration expenses (Schedule 2)	50,524	40,386
General fundraising expenses	14,349	51,016
Bingo expenses	2,190	2,212
	<u>467,475</u>	<u>306,943</u>
Excess of revenue over expenditures (expenditures over revenue)	(10,637)	6,680
<b>Capital items:</b>		
Amortization of capital assets	(18,661)	(16,300)
Amortization of deferred contributions	6,205	3,221
	<u>(12,456)</u>	<u>(13,079)</u>
<b>Excess of expenditures over revenue</b>	<b>(23,093)</b>	<b>(6,399)</b>
Balance, net assets beginning of year	25,043	31,442
<b>Balance, net assets end of year</b>	<b>\$1,950</b>	<b>\$25,043</b>

See accompanying notes to the financial statements

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

Schedule of Revenue for the year ended June 30, 2012

	2012	2011
<b>Earned Revenue</b>		
Presenting admissions	\$30,792	-
Other artistic revenue	403	2,870
Workshops, meetings and classes	2,032	1,675
Memberships	9,310	8,489
Art sales and commissions	4,626	1,009
Facilities and equipment rental	22,012	20,167
Other earned revenue	553	754
	<hr/>	<hr/>
	\$69,728	\$34,964
<b>Investment Revenue</b>		
Endowment revenue	\$435	\$668
	<hr/>	<hr/>
	\$435	\$668
<b>Private Sector Revenue</b>		
Individual donations	\$16,069	10,510
Corporate donations and sponsorships	15,700	21,200
Foundation grants	9,997	19,973
General fundraising revenue	31,183	59,418
Bingo	3,287	4,849
Other	-	490
	<hr/>	<hr/>
	\$76,236	\$116,440
<b>Grant Revenue</b>		
Canada Council for the Arts	\$54,200	49,200
Canada Council for the Arts - Back Issues	7,950	-
Ontario Arts Council	26,600	26,600
Ontario Arts Council - Compass	3,446	1,554
Ontario Arts Council - Arts Investment Fund	5,551	6,190
Service Canada	2,686	4,346
Ontario Trillium Foundation	61,865	53,811
Ontario Trillium Foundation - Art of Fact	9,560	-
Ministry of Tourism and Culture - CSIF	14,926	-
Regional Municipality of Niagara - Niagara Here	58,298	-
Regional Municipality of Niagara - Art of Fact	35,857	-
SCCIP - sustaining program	22,500	17,500
SCCIP - development	7,000	-
SCCIP - sponsorship program	-	2,350
	<hr/>	<hr/>
	\$310,439	\$161,551

See accompanying notes to the financial statements



**NIAGARA ARTISTS' COMPANY****SCHEDULE 2**

Schedule of Expenditures for the year ended June 30, 2012

	2012	2011
<b>Artistic, Technical and Programming Expenses</b>		
Artists' and professional fees	\$96,311	\$17,885
Artistic salaries and benefits	91,928	85,972
Production and technical services	28,156	1,343
Exhibition, programming and production expenses	44,279	9,635
Professional development programming for arts community	2,981	4,904
Catalogue and documentation expense	3,395	4,067
Education, audience development and outreach	28,746	20,732
Other artistic program and services	7,979	631
SCCIP sponsorships	-	2,350
	<hr/> \$303,775	<hr/> \$147,519
<b>Facility Operating Expenses</b>		
Facility operating salaries and benefits	\$11,532	\$10,657
Insurance	3,096	2,986
Interest on long-term debt	19,325	19,676
Property taxes	2,957	2,926
Repairs and maintenance	7,993	4,924
Telephone	1,520	1,494
Utilities	7,578	8,227
	<hr/> \$54,001	<hr/> \$50,890
<b>Marketing and Communication Expenses</b>		
Marketing & communication salaries and benefits	\$8,767	\$8,313
Marketing & communication professional fees	21,125	1,997
Marketing production fees	10,481	4,221
Advertising purchases	936	94
Other marketing and communications expenses	1,327	295
	<hr/> \$42,636	<hr/> \$14,920
<b>Administration Expenses</b>		
Administration salaries and benefits	\$34,371	\$29,791
Consulting fees	3,626	46
Professional fees	7,373	6,823
Bank charges and interest	2,393	2,312
Office supplies	1,950	1,381
Other administration expenses	811	33
	<hr/> \$50,524	<hr/> \$40,386

See accompanying notes to the financial statements

**NIAGARA ARTISTS' COMPANY**

Statement of Cash Flows for the year ended June 30, 2012

	2012	2011
<b>Cash flows from operating activities</b>		
Excess of expenditures over revenue	(\$23,093)	(\$6,399)
Items not affecting cash:		
Amortization of deferred contributions	(6,205)	(3,221)
Amortization of capital assets	18,661	16,300
Changes in non-cash working capital:		
Accounts receivable	7,433	(16,314)
HST recoverable	1,865	(7,887)
Inventory	1,052	2,475
Prepaid expenses	1,762	842
Accounts payable and accrued liabilities	82	(132)
Employee deductions payable	(321)	3,148
Deferred revenue - Canada Council for the Arts	54,200	(49,200)
Deferred revenue - Ontario Trillium Foundation	1,635	9,689
Deferred revenue - Regional Municipality of Niagara	16,406	-
Deferred revenue - other grants	(32,148)	37,968
Deferred revenue - program	2,600	-
	43,929	(12,731)
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(28,404)	(7,751)
Deferred contributions - capital received	21,388	3,300
	(7,016)	(4,451)
<b>Cash flows from financing activities</b>		
Mortgage repayment	(4,649)	(4,298)
	(4,649)	(4,298)
Increase (decrease) in cash position	32,264	(21,480)
Cash position, beginning of year	43,407	64,887
<b>Cash position, end of year</b>	<b>\$75,671</b>	<b>\$43,407</b>

See accompanying notes to the financial statements

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2012

The Niagara Artists' Company is incorporated under the laws of Ontario, is 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 Policies

#### (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%

#### (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 period. Actual results could differ from such estimates.



## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2012

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

(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-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
HST recoverable	Loans and Receivables
Accounts payable and accrued liabilities	Other Liabilities
Government remittances payable	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 statements.

### 2. Capital Assets

			2012	2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	275,733	56,183	219,550	224,611
Computer equipment	9,934	8,945	989	1,413
Furnishings	26,117	21,972	4,145	5,181
Installation and resource equipment	50,725	19,539	31,186	14,923
	<u>\$429,536</u>	<u>\$106,639</u>	<u>\$322,897</u>	<u>\$313,155</u>

**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2012

**3. Deferred Revenue - Canada Council for the Arts**

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	-	\$49,200
Received during the year	54,200	-
Realized as revenue	-	(49,200)
Balance, end of year	<u>\$54,200</u>	<u>-</u>

**4. Deferred Revenue - Ontario Trillium Foundation**

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

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$43,883	\$34,194
Received during the year	63,500	63,500
Realized as revenue	(61,865)	(53,811)
Balance, end of year	<u>\$45,518</u>	<u>\$43,883</u>

**5. Deferred Revenue - Regional Municipality of Niagara - Niagara Here**

During the year, the organization received grant monies from the Regional Municipality of Niagara in accordance with the terms of an approved funding agreement for the Niagara Here project. Certain amounts have been deferred and will be realized when expended.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	-	-
Received during the year	74,254	-
Realized as revenue	(58,298)	-
Balance, end of year	<u>\$15,956</u>	<u>-</u>



**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements  
Year Ended June 30, 2012

**6. Deferred Revenue - Regional Municipality of Niagara - Art of Fact**

During the year, the organization received grant monies from the Regional Municipality of Niagara in accordance with the terms of an approved funding agreement for the Art of Fact project. Certain amounts have been deferred and will be realized when expended.

	<b>2012</b>	<b>2011</b>
Balance, beginning of year	-	-
Received during the year	36,307	-
Realized as revenue	(35,857)	-
Balance, end of year	<u>\$450</u>	<u>-</u>

**7. Deferred Revenue - Other Grants**

Changes in the deferred revenue balances are as follows:

	City of St. Catharines	Ontario Arts Council	Canada Arts Council	Ministry of Tourism	Laidlaw Foundation	<b>2012</b>	<b>2011</b>
Balance, beginning	\$4,500	\$3,446	-	\$20,025	\$9,997	\$37,968	-
Received during the year	-	-	9,270	-	-	9,270	59,495
Realized during the year - operating	-	(3,446)	(7,950)	(14,926)	(9,997)	(36,319)	(21,527)
Realized during the year - capital	-	-	-	(5,099)	-	(5,099)	-
<b>Balance, ending</b>	<b>\$4,500</b>	<b>-</b>	<b>\$1,320</b>	<b>-</b>	<b>-</b>	<b>\$5,820</b>	<b>\$37,968</b>

**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2012

**8. Mortgage Payable**

Mortgage payable consists of the following:

	2012	2011
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%	\$243,011	\$247,660
Less: Current portion	(5,029)	(4,650)
	<u>\$237,982</u>	<u>\$243,010</u>

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

2013	\$5,029
2014	5,439
2015	5,883
2016	6,363
2017	7,432

Total interest expense on the long-term debt charged for the year is \$19,325.

**9. 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. In addition, during the year the organization received donated film libraries.

	2012	2011
Balance, beginning of year	\$29,794	\$29,715
Realized during the year		
Niagara Community Foundation	-	3,300
Ministry of Tourism & Culture	5,099	-
Donated film libraries	16,289	-
	<u>21,388</u>	<u>3,300</u>
Amortized to revenue	(6,205)	(3,221)
Balance, end of year	<u>\$44,977</u>	<u>\$29,794</u>

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements  
Year Ended June 30, 2012

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### 10. 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 (2012 - \$435; 2011 - \$668). As at the year end the capital amount on deposit was \$12,422.

### 11. Commitments

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

### 12. 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.

### 13. Financial Instruments

#### *Fair value*

Based on management's best estimates, the carrying value of cash, accounts receivable, HST recoverable, accounts payable and accrued liabilities, government remittances payable and mortgage payable represent the fair value of these amounts at June 30, 2012 due to their short-term maturity.

### 14. Comparative Figures

Certain comparative amounts from 2011 have been reclassified to conform to the presentation adopted for 2012.

### 15. New Accounting Standards for Not-For-Profit Organizations

The CICA has issued Canadian accounting standards for not-for-profit organizations (ASNPO) which become effective for the organization for the fiscal year beginning on or after January 1, 2012. These new standards will require full retrospective application upon transition to ASNPO with the exception of certain accounting policy exemptions as set out in the standards. The majority of the disclosures under ASNPO are similar to previous disclosures. The organization has commenced assessing the impact of these new standards.