

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

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Year Ended June 30, 2014

# **NIAGARA ARTISTS' COMPANY**

Index to the Financial Statements

Year Ended June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of NIAGARA ARTISTS' COMPANY

I have audited the accompanying financial statements of NIAGARA ARTISTS' COMPANY, which comprise the statement of financial position as at June 30, 2014, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2014, 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 accounting standards for not-for-profit organizations, 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.

#### 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 generally accepted 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**SILVANA DEL MONACO**

Professional Corporation Chartered Accountant

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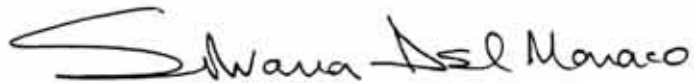
[www.sdelmonaco.ca](http://www.sdelmonaco.ca)

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, NIAGARA ARTISTS' COMPANY derives part of its revenue from presenting admissions, artistic revenue, memberships, facilities and equipment rental, donations, general fundraising revenue, and lottery the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

### **Qualified Opinion**

In my 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 as at June 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



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

St. Catharines, Ontario  
December 30, 2014



## Statement of Financial Position as at June 30, 2014

See accompanying notes to the financial statements

Director: [Signature]



	2014	2013
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$12,500	\$9,411
Employee deductions payable	316	1,778
Deferred revenue - Strutt	7,196	-
Deferred revenue - Canada Council for the Arts (note 4)	50,000	54,200
Deferred - Ontario Trillium Foundation - Art of Fact (note 5)	-	193
Deferred - Regional Municipality - Niagara Here (note 6)	-	16,780
Deferred revenue - other (note 7)	21,504	425
Deferred revenue - NASA (note 8)	4,000	10,000
Current portion of mortgage payable (note 9)	5,883	5,439
	<u>101,399</u>	<u>98,226</u>
Mortgage payable (note 9)	228,656	234,541
Deferred contributions - capital (note 10)	120,334	42,087
	<u>348,990</u>	<u>276,628</u>
Total Liabilities	450,389	374,854
Net Assets	18,742	11,680
	<u>\$469,131</u>	<u>\$386,534</u>

**NIAGARA ARTISTS' COMPANY**

Statement of Operations and Changes in Net Assets for the year ended June 30, 2014

	2014	2013
<b>Revenue</b>		
Earned revenue (Schedule 1)	\$101,161	\$119,038
Investment revenue (Schedule 1)	623	512
Private sector revenue (Schedule 1)	94,684	97,006
Public Sector revenue - Grants (Schedule 1)	177,621	260,461
	<u>374,089</u>	<u>477,017</u>
<b>Expenditures</b>		
Artistic, technical and programming expenses (Schedule 2)	201,845	302,669
Facility operating expenses (Schedule 2)	60,261	48,462
Marketing and communication expenses (Schedule 2)	30,231	36,305
Administration expenses (Schedule 2)	40,120	46,822
General fundraising expenses	19,617	18,670
Bingo expenses	2,040	1,940
	<u>354,114</u>	<u>454,868</u>
Excess of revenue over expenditures before capital items	19,975	22,149
<b>Capital items:</b>		
Amortization of capital assets	(21,384)	(20,309)
Amortization of deferred contributions	8,471	7,890
	<u>(12,913)</u>	<u>(12,419)</u>
<b>Excess of revenue over expenditures</b>	7,062	9,730
Balance, net assets beginning of year	11,680	1,950
<b>Balance, net assets end of year</b>	<u>\$18,742</u>	<u>\$11,680</u>

See accompanying notes to the financial statements

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

Schedule of Revenue for the year ended June 30, 2014

	2014	2013
<b>Earned Revenue</b>		
Presenting admissions	\$42,577	\$39,121
Artistic revenue	22,046	34,762
Workshops, meetings and classes	3,820	9,022
Memberships	10,060	11,930
Facilities and equipment rental	20,010	23,162
Other earned revenue	2,648	1,041
	<b>\$101,161</b>	<b>\$119,038</b>
<b>Investment Revenue</b>		
Endowment revenue	\$623	\$512
	<b>\$623</b>	<b>\$512</b>
<b>Private Sector Revenue</b>		
Individual donations	\$28,955	\$21,038
Corporate donations and sponsorships	21,471	30,490
General fundraising revenue	41,060	42,223
Bingo	3,198	3,255
	<b>\$94,684</b>	<b>\$97,006</b>
<b>Public Sector Revenue (Grants)</b>		
Canada Council for the Arts	\$54,200	\$54,200
Canada Council for the Arts - Back Issues	-	2,350
Ontario Arts Council	26,600	26,600
Ontario Arts Council - Inter-Arts (STRUTT)	15,000	-
Ontario Arts Council - Arts Investment Fund	-	3,481
Ontario Arts Council - Niagara Arts Service Alliance	6,000	-
Service Canada	4,491	2,288
Ontario Trillium Foundation	-	45,517
Ontario Trillium Foundation - Art of Fact	1,993	10,247
Celebrate Ontario (STRUTT)	12,257	-
Regional Municipality of Niagara - Niagara Here	16,780	80,752
Regional Municipality of Niagara - Art of Fact	-	1,526
SCCIP - sustaining program	24,500	23,500
SCCIP - development	3,000	-
City of St. Catharines - Fee for Service (STRUTT)	12,800	10,000
	<b>\$177,621</b>	<b>\$260,461</b>

See accompanying notes to the financial statements



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

Schedule of Expenditures for the year ended June 30, 2014

	2014	2013
<b>Artistic, Technical and Programming Expenses</b>		
Artists' and professional fees	\$54,917	\$103,930
Artistic salaries and benefits	50,634	71,197
Production and technical services	33,231	60,689
Exhibition, programming and production expenses	28,665	23,949
Professional development programming for arts community	7,236	750
Catalogue and documentation expense	3,345	6,665
Education, audience development and outreach	6,578	12,628
Other artistic program and services	17,239	22,861
	<hr/> \$201,845	<hr/> \$302,669
<b>Facility Operating Expenses</b>		
Facility operating salaries and benefits	\$12,157	\$10,018
Insurance	4,107	3,759
Interest on long-term debt	18,535	18,945
Property taxes	3,336	3,086
Repairs and maintenance	12,738	3,731
Telephone	1,487	1,474
Utilities	7,901	7,449
	<hr/> \$60,261	<hr/> \$48,462
<b>Marketing and Communication Expenses</b>		
Marketing & communication salaries and benefits	\$10,334	\$8,966
Marketing & communication professional fees	3,914	21,185
Marketing production fees	8,714	5,610
Other marketing and communications expenses	7,269	544
	<hr/> \$30,231	<hr/> \$36,305
<b>Administration Expenses</b>		
Administration salaries and benefits	\$22,510	\$32,981
Consulting fees	1,781	-
Professional fees	7,742	8,142
Bank charges and interest	5,862	3,786
Office supplies	1,049	1,098
Other administration expenses	1,176	815
	<hr/> \$40,120	<hr/> \$46,822

See accompanying notes to the financial statements

**NIAGARA ARTISTS' COMPANY**

Statement of Cash Flows for the year ended June 30, 2014

	2014	2013
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures	\$7,062	\$9,730
Items not affecting cash:		
Amortization of deferred contributions	(8,471)	(7,890)
Amortization of capital assets	21,384	20,309
Changes in non-cash working capital:		
Accounts receivable	(5,932)	10,657
HST recoverable	2,938	1,328
Inventory	500	4,740
Prepaid expenses	-	361
Accounts payable and accrued liabilities	3,088	(2,588)
Employee deductions payable	(1,462)	(1,498)
Deferred revenue - Strutt	7,196	-
Deferred revenue - Canada Council for the Arts	(4,200)	-
Deferred - Ontario Trillium Foundation	-	(45,518)
Deferred - Ontario Trillium Foundation - Art of Fact	(193)	193
Deferred - Regional Municipality of Niagara	(16,780)	374
Deferred revenue - other	21,079	(7,995)
Deferred revenue - NASA	(6,000)	10,000
	20,209	(7,797)
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(96,503)	(10,847)
Deferred contributions - capital received	86,718	5,000
	(9,785)	(5,847)
<b>Cash flows from financing activities</b>		
Mortgage repayment	(5,441)	(3,031)
	(5,441)	(3,031)
Increase (decrease) in cash position	4,983	(16,675)
Cash position, beginning of year	58,996	75,671
<b>Cash position, end of year</b>	<b>\$63,979</b>	<b>\$58,996</b>

See accompanying notes to the financial statements

## **NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2014

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### **1. Purpose of the Organization**

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.

### **2. Summary of Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following 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 presenting admissions, artistic revenue, workshops, meetings and classes, donations, fundraising, and memberships 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) Cash and cash equivalents**

The organization's policy is to present bank balances under cash and cash equivalents.

#### **(c) 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.



## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2014

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

#### (d) 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%

When a capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-down recognized is not reversed.

#### (e) Donated services

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

#### (f) Use of Estimates

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

#### (g) Financial instruments

##### *Measurement*

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2014

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

Financial assets measured at amortized cost include cash, accounts receivable and HST recoverable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee deductions payable and mortgage payable.

For financial assets subsequently measured at cost or amortized cost, the organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

### 3. Capital Assets

			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	362,519	75,307	287,212	215,156
Computer equipment	9,934	9,449	485	692
Furnishings	26,982	23,551	3,431	3,316
Installation and resource equipment	70,424	40,023	30,401	27,245
	<u>\$536,886</u>	<u>\$148,330</u>	<u>\$388,556</u>	<u>\$313,436</u>

### 4. Deferred Revenue - Canada Council for the Arts

	2014	2013
Balance, beginning of year	\$54,200	\$54,200
Received during the year	50,000	54,200
Realized as revenue	(54,200)	(54,200)
Balance, end of year	<u>\$50,000</u>	<u>\$54,200</u>



**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2014

**5. Deferred Revenue - Ontario Trillium Foundation - Art of Fact**

The organization received grant monies from the Ontario Trillium Foundation 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.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$193	-
Received during the year	1,800	10,440
Realized as revenue	(1,993)	(10,247)
Balance, end of year	<u>-</u>	<u>\$193</u>

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

The organization is receiving 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>2014</u>	<u>2013</u>
Balance, beginning of year	\$16,780	\$15,956
Received during the year	-	81,576
Realized as revenue	(16,780)	(80,752)
Balance, end of year	<u>-</u>	<u>\$16,780</u>

**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2014

**7. Deferred Revenue - Other**

Changes in the deferred revenue balances are as follows:

	HRDC	Brock University	Niagara Community Foundation	Other	2014	2013
Balance, beginning	-	-	\$425	-	\$425	\$8,420
Received during the year	5,995	14,000	-	10,000	29,995	1,505
Realized during the year - operating	(4,491)	(4,000)	(425)	-	(8,916)	(5,000)
Realized during the year - deferred capital contributions	-	-	-	-	-	(4,500)
<b>Balance, ending</b>	<b>\$1,504</b>	<b>\$10,000</b>	<b>-</b>	<b>\$10,000</b>	<b>\$21,504</b>	<b>\$425</b>

**8. Deferred - NASA**

The Niagara Artists Centre, with the support of the Suitcase in Point and the Brock Centre for the Arts, initiated the founding of the Niagara Arts Service Alliance (NASA). An investment in the amount of \$10,000 from the Ontario Arts Council's Arts Service Project Grant Program is currently being administered by NAC and has a remaining balance of \$4,000.

**9. Mortgage Payable**

Mortgage payable consists of the following:

	2014	2013
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%	\$234,539	\$239,980
Less: Current portion	(5,883)	(5,439)
	<u>\$228,656</u>	<u>\$234,541</u>

**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2014

**9. Mortgage Payable (con'd)**

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

2015	\$5,883
2016	6,363
2017	6,882
2018	7,444
2019	8,052

Total interest expense on the long-term debt charged for the year is \$18,535.

**10. 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.

	2014	2013
Balance, beginning of year	\$42,087	\$44,977
Realized during the year		
City of St. Catharines	5,803	4,500
City of St. Catharines	-	500
Donations	8,100	-
Celebrate Ontario	10,743	-
Benjamin Moore Foundation	2,600	-
Artsvest	6,850	-
Ontario Trillium Foundation	43,900	-
CIIF	8,722	-
	86,718	5,000
Amortized to revenue	(8,471)	(7,890)
Balance, end of year	<u>\$120,334</u>	<u>\$42,087</u>

**11. 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 (2014 - \$623; 2013 - \$512). As at the year end the capital amount on deposit was \$14,517.

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2014

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### 12. Financial Instruments

The organization is exposed to various risks through its financial instruments.

#### *Credit risk*

For grants and accounts receivable, the organization assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

#### *Liquidity risk*

Liquidity risk is the risk of being unable to meet cash requirement obligations as they come due. The organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

#### *Risk Changes*

The extent of the organization's exposure to the above risks did not change during 2014.