

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

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Year Ended June 30, 2016

# **NIAGARA ARTISTS' COMPANY**

Index to the Financial Statements

Year Ended June 30, 2016

## **Contents**

	<b>Page</b>
Independent Auditor's Report	3 - 4
Statement of Financial Position	5 - 6
Statement of Operations and Changes in Net Assets	7
Schedule of Revenue - Schedule 1	8
Schedule of Expenditures - Schedule 2	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 16



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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, 2016, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2016, 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

11 Race Street, Suite 201, St. Catharines ON L2R 3M1 • TEL: 905-685-0050 • FAX: 905-685-0052  
138 East Main Street, Unit 105, Welland, ON L3B 3W6 • TEL: 905-734-6303 • FAX: 905-734-6813

[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, as at and for the years ended June 30, 2016 and June 30, 2015, any adjustments might be necessary to revenue, excess of expenditures over revenue, assets and net assets. This caused me to qualify my audit opinion on the financial statements as at and for the year ended June 30, 2015.

### **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, 2016 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 Chartered**

**Professional Accountants of Ontario**

**St. Catharines, Ontario**

**December 16, 2016**

## Statement of Financial Position as at June 30, 2016

See accompanying notes to the financial statements

Director:

Director: Greg Betts (Greg Betts, Director)



	2016	2015
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$19,456	\$10,846
Employee deductions payable	2,776	2,041
Mortgage term loan payable (note 5)	223,683	-
Deferred revenue - Voix de Ville	13,650	-
Deferred revenue - Canada Council for the Arts (note 6)	50,000	50,000
Deferred revenue - other (note 7)	8,700	12,925
Current portion of mortgage payable	-	6,363
	<u>318,265</u>	<u>82,175</u>
Mortgage payable (note 8)	-	222,293
Deferred contributions - capital (note 9)	128,695	137,930
	<u>128,695</u>	<u>360,223</u>
Total Liabilities	446,960	442,398
Net Assets	10,100	18,026
	<u>\$457,060</u>	<u>\$460,424</u>

**NIAGARA ARTISTS' COMPANY**

Statement of Operations and Changes in Net Assets for the year ended June 30, 2016

	2016	2015
<b>Revenue</b>		
Earned revenue (Schedule 1)	\$126,765	\$125,633
Investment revenue (Schedule 1)	533	591
Private sector revenue (Schedule 1)	105,995	108,464
Public Sector revenue - Grants (Schedule 1)	120,729	146,478
	<u>354,022</u>	<u>381,166</u>
<b>Expenditures</b>		
Artistic, technical and programming expenses (Schedule 2)	190,808	236,526
Facility operating expenses (Schedule 2)	56,204	57,583
Marketing and communication expenses (Schedule 2)	25,826	18,012
Administration expenses (Schedule 2)	62,420	43,377
General fundraising expenses	12,141	12,854
Bingo expenses	200	200
	<u>347,599</u>	<u>368,552</u>
Excess of revenue over expenditures before capital items	6,423	12,614
<b>Capital items:</b>		
Amortization of capital assets	(25,253)	(24,220)
Amortization of deferred contributions	10,904	10,890
	<u>(14,349)</u>	<u>(13,330)</u>
<b>Excess of expenditures over revenue</b>	(7,926)	(716)
Balance, net assets beginning of year	18,026	18,742
<b>Balance, net assets end of year</b>	<u>\$10,100</u>	<u>\$18,026</u>

See accompanying notes to the financial statements

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

Schedule of Revenue for the year ended June 30, 2016

	2016	2015
<b>Earned Revenue</b>		
Presenting admissions	\$3,450	\$49,023
Artistic revenue	29,734	32,163
Fees and guarantees	55,399	-
Workshops, meetings and classes	3,900	5,670
Memberships	11,581	11,990
Facilities and equipment rental	18,127	26,787
Other earned revenue	4,574	-
	<b>\$126,765</b>	<b>\$125,633</b>
<b>Investment Revenue</b>		
Endowment revenue	\$533	\$591
	<b>\$533</b>	<b>\$591</b>
<b>Private Sector Revenue</b>		
Individual donations	\$36,471	\$33,418
Corporate donations and sponsorships	29,000	25,885
Niagara Community Foundation - Regan Peacock-Fung Bursary	812	1,542
General fundraising revenue	38,631	47,098
Bingo	1,081	521
	<b>\$105,995</b>	<b>\$108,464</b>
<b>Public Sector Revenue (Grants)</b>		
Canada Council for the Arts	\$50,000	\$50,000
Ontario Arts Council	25,270	26,600
Ontario Arts Council - Inter-Arts (STRUTT)	-	19,850
Ontario Arts Council - Compass	2,450	-
Ontario Arts Council - Niagara Arts Service Alliance	-	4,000
Service Canada	3,459	2,763
Celebrate Ontario (STRUTT)	-	9,419
Regional Municipality of Niagara - Big Dreams Big Screens	3,750	-
Regional Municipality of Niagara - Triple Threat	7,800	2,150
SCCIP - sustaining program	25,000	24,500
City of St. Catharines (STRUTT)	-	7,196
Welland Multicultural Centre	3,000	-
	<b>\$120,729</b>	<b>\$146,478</b>

See accompanying notes to the financial statements



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

Schedule of Expenditures for the year ended June 30, 2016

	2016	2015
<b>Artistic, Technical and Programming Expenses</b>		
Artists' and professional fees	\$38,261	\$67,355
Artistic salaries and benefits	59,759	50,914
Production and technical services	37,061	37,429
Exhibition, programming and production expenses	24,710	31,072
Professional development programming for arts community	1,100	404
Catalogue and documentation expense	2,427	17,268
Education, audience development and outreach	8,840	7,988
Other artistic program and services	18,650	24,096
	<hr/> \$190,808	<hr/> \$236,526
<b>Facility Operating Expenses</b>		
Facility operating salaries and benefits	\$12,805	\$12,462
Insurance	5,212	3,846
Mortgage interest	14,273	18,091
Property taxes	3,737	3,480
Repairs and maintenance	10,899	9,875
Telephone	1,688	1,884
Utilities	7,590	7,945
	<hr/> \$56,204	<hr/> \$57,583
<b>Marketing and Communication Expenses</b>		
Marketing & communication salaries and benefits	\$11,780	\$11,152
Marketing & communication professional fees	5,014	1,650
Marketing production	8,726	4,744
Other marketing and communications expenses	306	466
	<hr/> \$25,826	<hr/> \$18,012
<b>Administration Expenses</b>		
Administration salaries and benefits	\$39,786	\$23,615
Consulting fees	7,388	5,309
Professional fees	8,245	8,542
Bank charges	4,039	4,202
Office supplies	2,080	1,083
Other administration expenses	882	626
	<hr/> \$62,420	<hr/> \$43,377

See accompanying notes to the financial statements

**NIAGARA ARTISTS' COMPANY**

Statement of Cash Flows for the year ended June 30, 2016

	2016	2015
<b>Cash flows from operating activities</b>		
Excess of expenditures over revenue	(\$7,926)	(\$716)
Items not affecting cash:		
Amortization of deferred contributions	(10,904)	(10,890)
Amortization of capital assets	25,253	24,220
Changes in non-cash working capital:		
Accounts receivable	(11,471)	7,325
HST receivable	10,762	(3,571)
Inventory	155	21
Prepaid expenses	(3,944)	(3,657)
Accounts payable and accrued liabilities	8,610	(1,654)
Employee deductions payable	735	1,725
Mortgage term loan payable	223,683	-
Deferred revenue - Voix de Ville	6,000	-
Deferred revenue - other	3,425	(23,425)
Deferred revenue - NASA	-	3,650
	244,378	(6,972)
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(22,995)	(25,418)
Deferred contributions - capital received	1,669	28,486
	(21,326)	3,068
<b>Cash flows from financing activities</b>		
Mortgage repayment	(228,656)	(5,883)
	(228,656)	(5,883)
Decrease in cash position	(5,604)	(9,787)
Cash position, beginning of year	54,192	63,979
<b>Cash position, end of year</b>	<b>\$48,588</b>	<b>\$54,192</b>

See accompanying notes to the financial statements

## **NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2016

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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

Unrestricted contributions, such as presenting admissions, artistic revenue, fees and guarantees, 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, 2016

### 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 arts 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, 2016

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

#### (g) Financial instruments (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 term loan 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

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	377,612	98,430	279,182	283,329
Computer equipment	12,095	10,021	2,074	339
Furnishings	28,982	25,076	3,906	3,195
Installation and arts resource equipment	99,583	64,276	35,307	35,864
	<u>\$585,299</u>	<u>\$197,803</u>	<u>\$387,496</u>	<u>\$389,754</u>

### 4. Line of Credit

The organization has a credit facility consisting of an operating line of credit in the amount of \$10,000. The operating line of credit bears interest at a floating rate of prime +3%, monthly payments consist of interest only and the principal is due on demand. Security includes a general security agreement over the assets of the organization and is part of the credit facilities described in note 5. The balance outstanding at the end of the year is nil.



**NIAGARA ARTISTS' COMPANY**

Notes to Financial Statements

Year Ended June 30, 2016

**5. Mortgage Term Loan Payable**

The organization has a demand term loan payable to a financial institution, bearing interest at a fixed rate of 4.77%. The loan requires monthly blended payments of \$1,490.00 and is secured by a first position collateral mortgage for \$545,000 over the property at 354 St. Paul Street in St. Catharines and an assignment of rents on the property. The loan is amortized over 240 months and matures February 8, 2021.

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

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$50,000	\$50,000
Received during the year	50,000	50,000
Realized as revenue	(50,000)	(50,000)
Balance, end of year	<u>\$50,000</u>	<u>\$50,000</u>

**7. Deferred Revenue - Other**

Changes in the deferred revenue balances are as follows:

	Ontario Arts Council	Niagara Region	Niagara Community Foundation	Other	<b>2016</b>	<b>2015</b>
Balance, beginning	\$2,450	\$2,825	-	\$7,650	\$12,925	\$21,504
Received during the year	-	16,225	1,200	-	17,425	16,334
Realized during the year - operating/allocated	(2,450)	(11,550)	-	(7,650)	(21,650)	(24,913)
<b>Balance, ending</b>	<b>-</b>	<b>\$7,500</b>	<b>\$1,200</b>	<b>-</b>	<b>\$8,700</b>	<b>\$12,925</b>

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements  
Year Ended June 30, 2016

### 8. Mortgage Payable

	2016	2015
Mortgage payable consists of the following:		
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%	-	\$228,656
Less: Current portion	-	(6,363)
	-	<u>\$222,293</u>

Total interest expense on the long-term debt charged for the year is \$10,125. This mortgage was paid off during the year with a new mortgage term loan payable as presented in note 5.

### 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.

	2016	2015
Balance, beginning of year	\$137,930	\$120,334
Realized during the year		
Celebrate Ontario	-	12,808
CIIF	-	15,678
Donations	1,669	-
	<u>1,669</u>	<u>28,486</u>
Amortized to revenue	(10,904)	(10,890)
Balance, end of year	<u>\$128,695</u>	<u>\$137,930</u>

### 10. Audrey Schimizu Memorial Donations

The organization has entered into an agreement with the Niagara Community Foundation whereby the Foundation holds on deposit for the Niagara Artists' Company monies relating to the Audrey Schimizu Memorial donations. The Foundation invests the monies and distributes the earnings from the investment annually to the Niagara Artists' Company (2016 - \$533; 2015 - \$591). As at the year end the capital amount on deposit was \$15,452.

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2016

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### 11. Financial Instruments

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

#### *Interest rate risk*

The organization is subject to interest rate risk due to changes to the prime lending rate on its line of credit facility which bears a variable interest rate. The organization monitors its interest rate risk on this loan on an on-going basis.

#### *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.

### 12. Comparative Information

Certain comparative amounts from 2015 have been reclassified to conform to the presentation adopted for 2016.