

Financial Statements of

NIAGARA ARTISTS' COMPANY

For the year ended June 30, 2010

Popoli Del Monaco

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

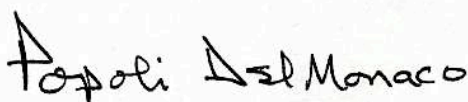
To the Directors of Niagara Artists' Company

We have audited the statement of financial position of the Niagara Artists' Company as at June 30, 2010 and the statement of operations and changes in net assets, 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, rentals, 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, rentals, 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, 2010 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
October 2, 2010**

NIAGARA ARTISTS' COMPANY


Statement of Financial Position

June 30, 2010, with comparatives for June 30, 2009

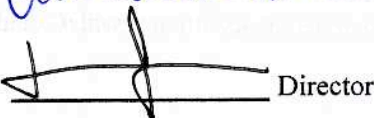
	2010	2009
Assets		
Current Assets:		
Cash	\$ 64,887	\$ 30,694
Accounts receivable	3,690	15,295
GST recoverable	5,493	3,059
Inventory	10,268	12,716
Prepaid expenses	2,965	340
	<u>87,303</u>	<u>62,104</u>
Capital Assets (note 2):		
Land	67,027	67,027
Building	270,146	256,378
Computer equipment	9,934	9,934
Furnishings	26,117	25,605
Installation and resource equipment	20,157	12,965
	<u>393,381</u>	<u>371,909</u>
Less: accumulated depreciation	<u>71,678</u>	<u>55,478</u>
	<u>321,703</u>	<u>316,431</u>
	<u>\$ 409,006</u>	<u>\$ 378,535</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

Lisa Matheson 10/14

 Director

Deanna Jones 14 Oct 2010

	2010	2009
Liabilities and Fund Balances		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 12,497	\$ 43,292
Deferred revenue - operating grants (note 3)	49,200	1,000
Deferred revenue -- Trillium grant (note 4)	34,194	--
Current portion of mortgage payable (note 5)	4,299	3,974
	<u>100,190</u>	<u>48,266</u>
 Mortgage payable (note 5)	 247,659	 251,958
Deferred contributions - capital (note 6)	29,715	32,019
	<u>277,374</u>	<u>283,977</u>
 Net Assets	 31,442	 46,292
	 <u>\$ 409,006</u>	 <u>\$ 378,535</u>

NIAGARA ARTISTS' COMPANY

Statement of Operations and Changes in Net Assets

For the year ended June 30, 2010, with comparatives for the year ended June 30, 2009

	2010	2009
Revenue:		
Earned revenue (Schedule 1)	\$ 36,912	\$ 32,325
Investment revenue (Schedule 1)	508	294
Private sector revenue (Schedule 1)	59,621	80,252
Grant revenue (Schedule 1)	128,280	122,502
	225,321	235,373
Expenditures:		
Artistic, technical and programming expenses (Schedule 2)	109,186	90,011
Facility operating expenses (Schedule 2)	53,252	47,352
Marketing and communication expenses (Schedule 2)	11,626	11,078
Administration expenses (Schedule 2)	35,702	33,220
General fundraising expenses	17,459	34,820
	227,225	216,481
Excess revenue over expenditures (expenditures over revenue) before capital items	(1,904)	18,892
Capital items:		
Amortization of capital assets	(16,200)	(12,961)
Amortization of deferred contributions - capital	3,254	1,781
	(12,946)	(11,180)
Excess of revenue over expenditures (expenditures over revenue)	(14,850)	7,712
Balance, net assets beginning of year	46,292	38,580
Balance, net assets end of year	\$ 31,442	\$ 46,292

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Revenue

For the year ended June 30, 2010, with comparatives for the year ended June 30, 2009

	2010	2009
Earned Revenue:		
Touring revenue	\$ --	\$ 540
Presenting admissions	90	--
Other artistic revenue	1,591	--
Workshops, meetings and classes	2,200	--
Memberships	6,829	8,775
Art sales and commissions	3,965	8,942
Facilities and equipment rental	19,334	13,855
Other earned revenue	2,903	213
	\$ 36,912	\$ 32,325
Investment Revenue:		
Endowment revenue	\$ 451	\$ 294
Interest revenue	57	--
	\$ 508	\$ 294
Private Sector Revenue:		
Individual donations	\$ 21,465	\$ 12,650
Corporate sponsorships	11,750	11,893
General fundraising revenue	23,029	49,973
Bingo	3,377	5,736
	\$ 59,621	\$ 80,252
Grant Revenue:		
Canada Council for the Arts	\$ 49,200	\$ 49,200
Ontario Art Council	26,600	26,600
Service Canada	3,953	3,280
Ministry of Training, Colleges and Universities	1,401	6,372
Trillium Foundation	29,306	--
Artsvest	--	6,500
SCCIP - operating	17,500	15,000
SCCIP - development	--	2,500
SCCIP - project	50	--
SCCIP - sponsorship program revenue	270	13,050
	\$ 128,280	\$ 122,502

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY**SCHEDULE 2**

Schedule of Expenditures

For the year ended June 30, 2010, with comparatives for the year ended June 30, 2009

	2010	2009
Artistic, Technical and Programming Expenses:		
Artists' and professional fees	\$ 14,840	\$ 19,012
Artistic salaries and benefits	57,637	34,688
Production and technical services	234	--
Exhibition, programming and production expenses	10,457	2,745
Professional development programming for arts community	2,149	355
Catalogue and documentation expense	5,628	11,391
Education, audience development and outreach	12,814	839
Other artistic program and services	5,157	7,931
SCCIP sponsorships	270	13,050
	\$ 109,186	\$ 90,011
Facility Operating Expenses:		
Facility operating salaries and benefits	\$ 9,770	\$ 9,749
Insurance	3,382	3,272
Interest on long-term debt	20,000	20,300
Property taxes	3,004	974
Repairs and maintenance	5,893	1,625
Telephone	1,191	1,543
Utilities	10,012	9,889
	\$ 53,252	\$ 47,352
Marketing and Communication Expenses:		
Marketing & communication salaries and benefits	\$ 6,710	\$ 5,588
Marketing & communication professional fees	648	--
Marketing production fees	3,550	4,420
Advertising purchases	552	1,070
Other marketing and communications expenses	166	--
	\$ 11,626	\$ 11,078
Administration Expenses:		
Administration salaries and benefits	\$ 25,210	\$ 19,820
Professional fees	5,456	8,596
Bank charges and interest	2,010	3,047
Office supplies	1,789	1,705
Other administration expenses	1,237	52
	\$ 35,702	\$ 33,220

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY

Statement of Cash Flows

For the year ended June 30, 2010, with comparatives for the year ended June 30, 2009

	2010	2009
Cash provided by (used in):		
Operating Activities:		
Excess of revenue over expenditures (expenditures over revenue)	(\$ 14,850)	\$ 7,712
Items not affecting cash		
Amortization of deferred contributions	(3,254)	(1,781)
Amortization of capital assets	16,200	12,961
Change in non-cash operating working capital		
Accounts receivable	11,605	(6,001)
GST recoverable	(2,434)	(1,757)
Inventory	2,448	(12,716)
Prepaid expenses	(2,625)	4,699
Accounts payable and accrued liabilities	(30,795)	31,621
Deferred revenue - operating grants	48,200	(58,250)
Deferred revenue - Trillium grant	34,194	--
	58,689	(23,512)
Investing Activities:		
Acquisition of capital assets	(21,472)	(63,004)
Deferred contributions - capital received	950	33,800
	(20,522)	(29,204)
Financing Activities:		
Mortgage payable (repayment)	(3,974)	(3,675)
	(3,974)	(3,675)
Increase (decrease) in cash position	34,193	(56,391)
Cash position, beginning of year	30,694	87,085
Cash position, end of year	\$ 64,887	\$ 30,694

See accompanying notes to financial statements.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 1

For the year ended June 30, 2010

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) Change in Accounting Policy:

The organization adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 4400.19. The Section has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets.

(b) 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.

(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.

(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%

(Con'd)

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 2

For the year ended June 30, 2010

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

(e) 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.

(f) Donated services:

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

(g) 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, 2010

2. Capital Assets:

	Cost	Accumulated Depreciation	Net Book Value 2010	Net Book Value 2009
Land	\$ 67,027	\$ --	\$ 67,027	\$ 67,027
Building	270,146	37,793	232,353	227,980
Computer equipment	9,934	7,915	2,019	2,885
Furnishings	26,117	19,641	6,476	7,519
Installation and resource equipment	20,157	6,329	13,828	11,020
	\$ 393,381	\$ 71,678	\$ 321,703	\$ 316,431

3. Deferred Revenue - Operating Grants:

During the year, the organization received grant monies from organizations. Certain grants have been deferred as they relate to the 2011 fiscal year end.

	2010	2009
Balance, beginning of year	\$ 1,000	\$ 59,250
Received during the year	49,200	1,000
Realized as revenue	(1,000)	(59,250)
Balance, end of year	\$ 49,200	\$ 1,000

4. Deferred Revenue – Trillium Grant:

During the year, the organization received grant monies from the Trillium Foundation. Certain amounts have been deferred as they relate to the 2011 fiscal year end.

	2010	2009
Balance, beginning of year	\$ --	\$ --
Received during the year	63,500	--
Realized as revenue	(29,306)	--
Balance, end of year	\$ 34,194	\$ --

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 4

For the year ended June 30, 2010

5. Mortgage payable:

Mortgage payable consists of the following:	2010	2009
Mortgage payable - secured by real property at 354 St. Paul Street; bearing interest at 8.0%;	<u>\$ 251,958</u>	<u>\$ 255,932</u>
Less: Current portion	<u>(4,299)</u>	<u>(3,974)</u>
	<u>\$ 247,659</u>	<u>\$251,958</u>

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

2011	\$ 4,299
2012	4,650
2013	5,029
2014	5,439
2015	5,883

Total interest expense on the long-term debt charged for the year is \$20,000.

6. 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.

	2010	2009
Balance, beginning of year	\$ 32,019	\$ --
Canadian Heritage grant	--	16,500
City of St. Catharines grants	950	17,300
	950	33,800
Amortized to revenue	(3,254)	(1,781)
Balance, ending of year	<u>\$ 29,715</u>	<u>\$ 32,019</u>

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements, page 5

For the year ended June 30, 2010

7. Contributed Goods:

The organization received \$600 in donated goods for which charitable donation receipts were issued for its charity fundraisers and related activities. These donated goods are valued at fair market value and are recorded in the financial statements.

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 (2010 - \$451; 2009 - \$294). As at the year end the capital amount on deposit was \$12,887.

9. Capital Disclosure:

The organization considers its capital to be the balance maintained in its net assets. 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.

10. 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, 2010 due to their short-term maturity.

11. Comparative Figures:

Certain amounts from 2009 have been reclassified to conform to the presentation adopted for 2010.

The change in the accounting policy described in Note 1 above, which eliminates the requirement to treat net assets invested in capital assets as a separate component of net assets, has resulted in a restatement of the net assets section for 2009.