

NIAGARA ARTISTS' COMPANY
Financial Statements

Year Ended June 30, 2017



INDEPENDENT AUDITOR'S REPORT

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, 2017, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2017, 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.

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, studio 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, 2017 and June 30, 2016, any adjustments might be necessary to revenue, excess of expenditures over revenue, 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, 2017 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.

Other Matters

The financial statements of the NIAGARA ARTISTS' COMPANY for the year ended June 30, 2016 were audited by another public accountancy firm who expressed a qualified opinion, same as outlined in the above *Basis for Qualified Opinion* paragraph, on December 16, 2016.

St. Catharines, Ontario
December 22, 2017



NICOLE HENDERSON
Professional Corporation
Authorized to practice
public accounting by the Chartered
Professional Accountants of Ontario



NICOLE HENDERSON
Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$14,858	\$19,456
Employee deductions payable	3,789	2,776
Mortgage term loan payable (note 5)	216,314	223,683
Deferred revenue - Voix de Ville	-	13,650
Deferred revenue - Canada Council for the Arts (note 6)	50,000	50,000
Deferred - Ontario Trillium Foundation - Keeping NAC Cool (note 7)	8,676	-
Deferred - Ontario Trillium Foundation - Studio project (note 8)	22,848	-
Deferred revenue - other (note 9)	13,353	8,700
	329,838	318,265
Deferred contributions - capital (note 10)	134,382	128,695
	134,382	128,695
Total Liabilities	464,220	446,960
Net Assets	5,166	10,100
Commitments (note 12)		
	\$469,386	\$457,060

NIAGARA ARTISTS' COMPANY

Statement of Operations and Changes in Net Assets for the year ended June 30, 2017

	2017	2016
Revenue		
Earned revenue (Schedule 1)	\$225,170	\$126,765
Investment revenue (Schedule 1)	539	533
Private sector revenue (Schedule 1)	98,948	105,995
Public Sector revenue - Grants (Schedule 1)	169,178	120,729
	493,835	354,022
Expenditures		
Artistic, technical and programming expenses (Schedule 2)	280,773	190,808
Facility operating expenses (Schedule 2)	92,180	56,204
Marketing and communication expenses (Schedule 2)	32,428	25,826
Administration expenses (Schedule 2)	70,292	62,420
General fundraising expenses	9,099	12,141
Bingo expenses	-	200
	484,772	347,599
Excess of revenue over expenditures before capital items	9,063	6,423
Capital items:		
Amortization of capital assets	(24,719)	(25,253)
Amortization of deferred contributions	10,722	10,904
	(13,997)	(14,349)
Excess of expenditures over revenue	(4,934)	(7,926)
Balance, net assets beginning of year	10,100	18,026
Balance, net assets end of year	\$5,166	\$10,100

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Revenue for the year ended June 30, 2017

	2017	2016
Earned Revenue		
Presenting admissions	\$41,667	\$3,450
Artistic revenue	15,422	29,734
Fees and guarantees	107,692	55,399
Workshops, meetings and classes	3,000	3,900
Memberships	11,466	11,581
Facilities and equipment rental	16,709	18,127
Studio rental	18,845	-
Other earned revenue	10,369	4,574
	<hr/> \$225,170	<hr/> \$126,765
Investment Revenue		
Endowment revenue	\$539	\$533
	<hr/> \$539	<hr/> \$533
Private Sector Revenue		
Individual donations	\$31,567	\$36,471
Corporate donations and sponsorships	28,710	29,000
Niagara Community Foundation - Regan Peacock-Fung Bursary	822	812
Niagara Community Foundation - Alice Crawley Endowment	355	-
General fundraising revenue	32,444	38,631
Bingo	5,050	1,081
	<hr/> \$98,948	<hr/> \$105,995
Public Sector Revenue (Grants)		
Canada Council for the Arts	\$50,000	\$50,000
Ontario Arts Council	25,270	25,270
Ontario Arts Council - Compass	-	2,450
Service Canada	2,909	3,459
Ontario Trillium Foundation - Studio project	39,152	-
Regional Municipality of Niagara - Big Dreams Big Screens	12,197	3,750
Regional Municipality of Niagara - Triple Threat	-	7,800
SCCIP - sustaining program	30,000	25,000
SCCIP - Voix de Ville	7,650	-
Niagara College - Youth Job Connection	2,000	-
Welland Multicultural Centre	-	3,000
	<hr/> \$169,178	<hr/> \$120,729

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 2**

Schedule of Expenditures for the year ended June 30, 2017

	2017	2016
Artistic, Technical and Programming Expenses		
Artists' and professional fees	\$124,227	\$38,261
Artistic salaries and benefits	71,740	59,759
Production and technical services	5,090	37,061
Exhibition, programming and production expenses	46,910	24,710
Professional development programming for arts community	-	1,100
Catalogue and documentation expense	5,248	2,427
Education, audience development and outreach	4,897	8,840
Other artistic program and services	22,661	18,650
	<hr/> \$280,773	<hr/> \$190,808
Facility Operating Expenses		
Facility operating salaries and benefits	\$15,267	\$12,805
Insurance	6,671	5,212
Mortgage interest	10,511	14,273
Property taxes	4,722	3,737
Repairs and maintenance	15,512	10,899
Studio rent	29,935	-
Telephone	1,966	1,688
Utilities	7,596	7,590
	<hr/> \$92,180	<hr/> \$56,204
Marketing and Communication Expenses		
Marketing & communication salaries and benefits	\$21,502	\$11,780
Marketing & communication professional fees	5,568	5,014
Marketing production	4,371	8,726
Other marketing and communications expenses	987	306
	<hr/> \$32,428	<hr/> \$25,826
Administration Expenses		
Administration salaries and benefits	\$54,734	\$39,786
Consulting fees	3,151	7,388
Professional fees	7,589	8,245
Bank charges	3,572	4,039
Office supplies	1,030	2,080
Other administration expenses	216	882
	<hr/> \$70,292	<hr/> \$62,420

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Statement of Cash Flows for the year ended June 30, 2017

	2017	2016
Cash flows from operating activities		
Excess of expenditures over revenue	(\$4,934)	(\$7,926)
Items not affecting cash:		
Amortization of deferred contributions	(10,722)	(10,904)
Amortization of capital assets	24,719	25,253
Changes in non-cash working capital:		
Accounts receivable	(10,528)	(11,471)
HST receivable	(4,751)	10,762
Inventory	205	155
Prepaid expenses	(1,564)	(3,944)
Accounts payable and accrued liabilities	(4,598)	8,610
Employee deductions payable	1,013	735
Mortgage term loan payable	(7,369)	223,683
Deferred revenue - Voix de Ville	(13,650)	6,000
Deferred - Ontario Trillium Foundation - Keeping NAC Cool	8,676	-
Deferred - Ontario Trillium Foundation - Studio project	22,848	-
Deferred revenue - other	4,653	3,425
	3,998	244,378
Cash flows from investing activities		
Acquisition of capital assets	(18,102)	(22,995)
Deferred contributions - capital received	16,409	1,669
	(1,693)	(21,326)
Cash flows from financing activities		
Mortgage repayment	-	(228,656)
	-	(228,656)
Increase (decrease) in cash position	2,305	(5,604)
Cash position, beginning of year	48,588	54,192
Cash position, end of year	\$50,893	\$48,588

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2017

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, 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, 2017

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, 2017

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

			2017	2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	386,536	109,776	276,760	279,182
Computer equipment	15,545	11,161	4,384	2,074
Furnishings	28,982	25,857	3,125	3,906
Installation and arts resource equipment	105,311	75,728	29,583	35,307
	<u>\$603,401</u>	<u>\$222,522</u>	<u>\$380,879</u>	<u>\$387,496</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, 2017

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

	2017	2016
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 - Ontario Trillium Foundation - Keeping NAC Cool

The organization received grant monies from the Ontario Trillium Foundation in accordance with the terms of an approved funding agreement to install an air conditioning system and to upgrade the lighting system at the gallery. Certain amounts have been deferred and will be realized when expended.

	2017	2016
Balance, beginning of year	-	-
Received during the year	17,600	-
Realized during the year - deferred capital contributions	(8,924)	-
Balance, end of year	<u>\$8,676</u>	<u>-</u>

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2017

8. Deferred Revenue - Ontario Trillium Foundation - Studio project

The organization is receiving grant monies from the Ontario Trillium Foundation in accordance with the terms of an approved funding agreement to establish a fine arts print-shop and retail gallery. Certain amounts have been deferred and will be realized when expended.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	-	-
Received during the year	64,500	-
Realized as revenue during the year	(39,152)	-
Realized during the year - deferred capital contributions	(2,500)	-
	<u>(41,652)</u>	<u>-</u>
Balance, end of year	<u>\$22,848</u>	<u>-</u>

9. Deferred Revenue - Other

Changes in the deferred revenue balances are as follows:

	Regional Municipality of Niagara	Niagara Community Foundation	Other	<u>2017</u>	<u>2016</u>
Balance, beginning	\$7,500	\$1,200	-	\$8,700	\$12,925
Received during the year	11,250	-	8,000	19,250	17,425
Realized during the year	(12,197)	(1,200)	(1,200)	(14,597)	(21,650)
Balance, ending	\$6,553	-	\$6,800	\$13,353	\$8,700

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2017

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.

	2017	2016
Balance, beginning of year	\$128,695	\$137,930
Realized during the year		
Donations	4,985	1,669
Ontario Trillium Foundation - Keeping NAC Cool	8,924	-
Ontario Trillium Foundation - Studio project	2,500	-
	16,409	1,669
Amortized to revenue	(10,722)	(10,904)
Balance, end of year	\$134,382	\$128,695

11. 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 (2017 - \$539; 2016 - \$533). As at the year end the capital amount on deposit was \$15,342.

12. Commitments

The organization is party to a lease agreement for studio space. The lease commenced September 30, 2016 and is for a period of five years and expires August 31, 2021. The monthly lease payment is \$3,200 plus HST.

13. 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.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2017

13. Financial Instruments (con'd)

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.