

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

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Year Ended June 30, 2020

**NIAGARA ARTISTS' COMPANY**  
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Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

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**To the Members of NIAGARA ARTISTS' COMPANY**

### **Qualified Opinion**

I have audited the accompanying financial statements of NIAGARA ARTISTS' COMPANY, which comprise the statement of financial position as at June 30, 2020, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2020, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the NIAGARA ARTISTS' COMPANY as at June 30, 2020 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.

### **Basis for Qualified Opinion**

In common with many non-for-profit organizations, the NIAGARA ARTISTS' COMPANY derives part of its revenue from presenting admissions, artistic revenue, memberships, facilities and equipment rental, art rental, studio rental, donations, general fundraising 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, 2020 and June 30, 2019, any adjustments might be necessary to revenue, excess of expenditures over revenue, assets and net assets. This also caused me to qualify my audit opinion on the financial statements as at and for the year ended June 30, 2019.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the NIAGARA ARTISTS' COMPANY in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the NIAGARA ARTISTS' COMPANY's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NIAGARA ARTISTS' COMPANY or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NIAGARA ARTISTS' COMPANY's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 NIAGARA ARTISTS' COMPANY's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

### **Auditor's Responsibilities for the Audit of the Financial Statements (con'd)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NIAGARA ARTISTS' COMPANY's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the NIAGARA ARTISTS' COMPANY to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

St. Catharines, Ontario  
January 6, 2021



**NICOLE HENDERSON**  
**PROFESSIONAL CORPORATION**  
Authorized to practice public  
accounting by the Chartered  
Professional Accountants of Ontario



**NICOLE HENDERSON**  
*Professional Corporation*  
CHARTERED PROFESSIONAL ACCOUNTANT

**NIAGARA ARTISTS' COMPANY**

Statement of Financial Position as at June 30, 2020

	2020	2019
<b>ASSETS</b>		
Current assets		
Cash	\$96,029	\$14,592
Accounts receivable	20,009	23,787
HST receivable	4,266	5,205
Prepaid expenses	5,881	7,430
	<hr/> 126,185	<hr/> 51,014
Capital assets (note 3)		
Land	67,027	67,027
Building	393,936	393,936
Computer equipment	19,679	16,254
Furnishings	28,982	28,982
Installation and arts resource equipment	110,487	109,701
	<hr/> 620,111	<hr/> 615,900
Less: accumulated depreciation	<hr/> 281,677	<hr/> 263,871
	<hr/> 338,434	<hr/> 352,029
	<hr/> <hr/> \$464,619	<hr/> <hr/> \$403,043

See accompanying notes to the financial statements

On Behalf of the Board of Directors:

Director:  Candace Couse, PresidentDirector:  Dave Legge, Treasurer

	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$7,611	\$13,432
Employee deductions payable	8,562	4,255
Mortgage term loan payable (note 5)	192,005	200,480
Deferred revenue (note 6)	86,725	6,800
	<u>294,903</u>	<u>224,967</u>
Deferred contributions - capital (note 7)	114,898	122,491
	<u>114,898</u>	<u>122,491</u>
<b>Total Liabilities</b>	<b>409,801</b>	<b>347,458</b>
 Net Assets	 54,818	 55,585
 Commitments (note 9)		
	<u>\$464,619</u>	<u>\$403,043</u>

**NIAGARA ARTISTS' COMPANY**

Statement of Operations and Changes in Net Assets for the year ended June 30, 2020

	2020	2019
<b>Revenue</b>		
Earned revenue (Schedule 1)	\$162,010	\$189,986
Investment revenue (Schedule 1)	680	536
Private sector revenue (Schedule 1)	38,779	71,843
Public Sector revenue - Grants (Schedule 1)	189,641	150,249
	<u>391,110</u>	<u>412,614</u>
<b>Expenditures</b>		
Artistic, technical and programming expenses (Schedule 2)	160,262	170,672
Facility operating expenses (Schedule 2)	84,616	82,549
Marketing and communication expenses (Schedule 2)	40,642	45,355
Administration expenses (Schedule 2)	89,019	69,165
General fundraising expenses	7,125	11,952
	<u>381,664</u>	<u>379,693</u>
Excess of revenue over expenditures before capital items	9,446	32,921
<b>Capital items:</b>		
Amortization of capital assets	(17,806)	(19,315)
Amortization of deferred contributions	7,593	8,876
	<u>(10,213)</u>	<u>(10,439)</u>
<b>Excess of revenue over expenditures (expenditures over revenue)</b>	<b>(767)</b>	<b>22,482</b>
Balance, net assets beginning of year	55,585	33,103
<b>Balance, net assets end of year</b>	<b><u>\$54,818</u></b>	<b><u>\$55,585</u></b>

See accompanying notes to the financial statements



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

Schedule of Revenue for the year ended June 30, 2020

	2020	2019
<b>Earned Revenue</b>		
Presenting admissions	\$2,553	\$4,576
Art rental	4,985	6,432
Design services	8,665	2,730
Art sales and commissions	3,420	3,114
Fees and guarantees	73,933	97,450
Memberships	6,413	9,490
Facilities and equipment rental	21,989	20,995
Studio rental	36,149	40,477
Other earned revenue	3,903	4,722
	<b>\$162,010</b>	<b>\$189,986</b>
<b>Investment Revenue</b>		
Endowment revenue	\$680	\$536
	<b>\$680</b>	<b>\$536</b>
<b>Private Sector Revenue</b>		
Individual donations	\$13,078	\$13,240
Corporate donations and sponsorships	9,930	16,521
Niagara Community Foundation - Regan Peacock-Fung Bursary	1,044	817
Niagara Community Foundation - Alice Crawley Endowment	456	359
Ottawa Community Foundation - Charles Alfred Osborne Fund	703	-
General fundraising revenue	8,174	36,509
Bingo	5,394	4,397
	<b>\$38,779</b>	<b>\$71,843</b>
<b>Public Sector Revenue (Grants)</b>		
Canada Council for the Arts	\$50,000	\$50,000
Department of Canadian Heritage - First Spark Initiative	5,000	-
Government of Canada - Wage subsidy program	34,799	-
Ontario Arts Council	29,300	31,848
Ontario Arts Council - Compass	-	4,803
Ontario Arts Council - InterArts	12,000	-
Service Canada	5,432	7,141
Regional Municipality of Niagara - The Studio Steps	-	9,967
SCCIP - sustaining program	42,500	41,000
City of St. Catharines - Feasibility Study	10,000	-
YMCA of Niagara - Youth Job Connection	610	5,490
	<b>\$189,641</b>	<b>\$150,249</b>

See accompanying notes to the financial statements

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

Schedule of Expenditures for the year ended June 30, 2020

	2020	2019
<b>Artistic, Technical and Programming Expenses</b>		
Artists' and professional fees	\$42,028	\$35,291
Artistic salaries and benefits	79,900	78,014
Production and technical services	2,992	3,242
Exhibition, programming and production expenses	17,987	19,274
Professional development programming for arts community	3,904	6,700
Catalogue and documentation expense	2,508	2,351
Education, audience development and outreach	7,251	12,803
Other artistic program and services	3,692	12,997
	<hr/>	<hr/>
	\$160,262	\$170,672
<b>Facility Operating Expenses</b>		
Facility operating salaries and benefits	\$8,203	\$8,430
Insurance	6,364	7,876
Mortgage interest	9,405	9,775
Property taxes	4,160	4,161
Repairs and maintenance	6,010	4,571
Storage rental	-	1,850
Studio rent	39,913	36,587
Telephone and internet	3,524	2,444
Utilities	7,037	6,855
	<hr/>	<hr/>
	\$84,616	\$82,549
<b>Marketing and Communication Expenses</b>		
Marketing & communication salaries and benefits	\$35,216	\$34,481
Marketing production	3,545	9,371
Other marketing and communications expenses	1,881	1,503
	<hr/>	<hr/>
	\$40,642	\$45,355
<b>Administration Expenses</b>		
Administration salaries and benefits	\$55,387	\$51,746
Consulting fees	20,611	5,197
Professional fees	8,002	7,301
Bank charges	3,299	3,443
Office supplies	1,720	1,478
	<hr/>	<hr/>
	\$89,019	\$69,165

See accompanying notes to the financial statements

**NIAGARA ARTISTS' COMPANY**

Statement of Cash Flows for the year ended June 30, 2020

	2020	2019
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures (expenditures over revenue)	(\$767)	\$22,482
Items not affecting cash:		
Amortization of deferred contributions	(7,593)	(8,876)
Amortization of capital assets	17,806	19,315
Changes in non-cash working capital:		
Accounts receivable	3,778	(16,345)
HST receivable	939	(620)
Prepaid expenses	1,549	622
Accounts payable and accrued liabilities	(5,821)	(5,087)
Employee deductions payable	4,307	4,255
Mortgage term loan payable	(8,475)	(8,105)
Deferred revenue - Filmhouse	-	(4,000)
Deferred revenue	79,925	(12,108)
	85,648	(8,467)
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(4,211)	(5,099)
	(4,211)	(5,099)
Increase (decrease) in cash position	81,437	(13,566)
Cash position, beginning of year	14,592	28,158
<b>Cash position, end of year</b>	<b>\$96,029</b>	<b>\$14,592</b>

See accompanying notes to the financial statements

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2020

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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, design services, art sales and commissions, 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) 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%

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## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2020

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

#### (c) Capital Assets (con'd)

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.

#### (d) Donated services

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

#### (e) 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.

#### (f) 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.

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

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.

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2020

### 3. Capital Assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	393,936	142,393	251,543	262,024
Computer equipment	19,679	14,842	4,837	2,751
Furnishings	28,982	27,382	1,600	2,000
Installation and arts resource equipment	110,487	97,060	13,427	18,227
	<u>\$620,111</u>	<u>\$281,677</u>	<u>\$338,434</u>	<u>\$352,029</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.

### 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

Changes in the deferred revenue balances are as follows:

	Canada Council for the Arts	Department of Canadian Heritage	Ontario Arts Council	Other	2020	2019
Balance, beginning	-	-	-	\$6,800	\$6,800	\$18,908
Received during the year	17,500	47,775	14,650	-	79,925	9,803
Realized during the year	-	-	-	-	-	(21,911)
<b>Balance, ending</b>	<b>\$17,500</b>	<b>\$47,775</b>	<b>\$14,650</b>	<b>\$6,800</b>	<b>\$86,725</b>	<b>\$6,800</b>

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2020

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### 7. 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, in a prior year the organization received donated film libraries.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$122,491	\$131,367
Amortized to revenue	(7,593)	(8,876)
Balance, end of year	<u>\$114,898</u>	<u>\$122,491</u>

### 8. 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 (2020 - \$680; 2019 - \$536). As at the year end the capital amount on deposit was \$15,429.

### 9. 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 that expires August 31, 2021. The monthly lease payment is \$3,200 plus HST.

The annual lease payments (excluding HST) for the remaining 2 years are as follows:

2021	\$	38,400
2022	\$	6,400

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2020

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### 10. Impact of Coronavirus COVID-19 Pandemic

In March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the World.

The pandemic led to the alteration of the Niagara Artists' Company (NAC) small feats fundraising event. In order to assist with this decrease in revenue, the organization has claimed the Canada Emergency Wage Subsidy (CEWS) for which the Government of Canada provides a subsidy of 75% of employees wages.

The duration and magnitude of the pandemic's impact on the Niagara Artists' Company's operations and financial position is not known at this time. These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

### 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 Amounts

Certain comparative amounts from 2019 have been reclassified to conform to the presentation adopted for 2020.