

NIAGARA ARTISTS' COMPANY
Financial Statements

Year Ended June 30, 2021

NIAGARA ARTISTS' COMPANY

Index to the Financial Statements

Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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, 2021, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2021, 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, 2021 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, 2021 and June 30, 2020, any adjustments might be necessary to revenue, excess of revenue over expenditures, 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, 2020.

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 31, 2022




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




NICOLE HENDERSON
Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

Statement of Financial Position as at June 30, 2021

See accompanying notes to the financial statements

Director:  David Legge, Treasurer

Director:  Candace Couse, President

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$16,256	\$7,611
Employee deductions payable	8,721	8,562
Mortgage term loan payable (note 5)	183,091	192,005
Deferred revenue - Canada Council for the Arts	-	17,500
Deferred revenue - Ontario Arts Council	-	14,650
Deferred - Ontario Trillium Foundation (note 6)	41,327	-
Deferred revenue - other (note 7)	44,091	54,575
	<u>293,486</u>	<u>294,903</u>
Deferred contributions - capital (note 8)	128,868	114,898
	<u>128,868</u>	<u>114,898</u>
Total Liabilities	<u>422,354</u>	<u>409,801</u>
Net Assets	63,582	54,818
Commitments (note 10)		
	<u>\$485,936</u>	<u>\$464,619</u>

NIAGARA ARTISTS' COMPANY

Statement of Operations and Changes in Net Assets for the year ended June 30, 2021

	2021	2020
Revenue		
Earned revenue (Schedule 1)	\$92,320	\$162,010
Investment revenue (Schedule 1)	594	680
Private sector revenue (Schedule 1)	57,471	38,779
Public Sector revenue - Grants (Schedule 1)	272,192	189,641
	<u>422,577</u>	<u>391,110</u>
Expenditures		
Artistic, technical and programming expenses (Schedule 2)	196,304	160,262
Facility operating expenses (Schedule 2)	87,913	84,616
Marketing and communication expenses (Schedule 2)	42,869	40,642
Administration expenses (Schedule 2)	73,981	89,019
General fundraising expenses	3,137	7,125
	<u>404,204</u>	<u>381,664</u>
Excess of revenue over expenditures before capital items	18,373	9,446
Capital items:		
Amortization of capital assets	(19,848)	(17,806)
Amortization of deferred contributions	10,239	7,593
	<u>(9,609)</u>	<u>(10,213)</u>
Excess of revenue over expenditures (expenditures over revenue)	8,764	(767)
Balance, net assets beginning of year	54,818	55,585
Balance, net assets end of year	<u>\$63,582</u>	<u>\$54,818</u>

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Revenue for the year ended June 30, 2021

	2021	2020
Earned Revenue		
Presenting admissions	\$7,917	\$2,553
Art rental	8,982	4,985
Design services	5,000	8,665
Art sales and commissions	3,866	3,420
Other artistic revenue	4,648	-
Fees and guarantees	2,800	73,933
Memberships	3,942	6,413
Facilities and equipment rental	18,945	21,989
Studio rental	34,882	36,149
Other earned revenue	1,338	3,903
	<hr/>	<hr/>
	\$92,320	\$162,010
Investment Revenue		
Endowment revenue - Audrey Shimizu Memorial Fund	\$594	\$680
	<hr/>	<hr/>
	\$594	\$680
Private Sector Revenue		
Individual donations	\$14,597	\$13,078
Corporate donations and sponsorships	17,853	9,930
Niagara Community Foundation - Regan Peacock-Fung Bursary	939	1,044
Niagara Community Foundation - Alice Crawley Endowment	408	456
Ottawa Community Foundation - Charles Alfred Osborne Fund	2,431	703
General fundraising revenue	13,995	8,174
Bingo	7,248	5,394
	<hr/>	<hr/>
	\$57,471	\$38,779

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Revenue for the year ended June 30, 2021

	2021	2020
Public Sector Revenue (Grants)		
Canada Council for the Arts	\$54,000	\$50,000
Canada Council for the Arts - COVID-19 Emergency Support	13,500	-
Department of Canadian Heritage - First Spark Initiative	-	5,000
Department of Canadian Heritage - Feasibility Study	29,242	-
Government of Canada - COVID Subsidies	72,864	34,799
Ontario Arts Council	29,300	29,300
Ontario Arts Council - Compass	-	12,000
Service Canada	9,018	5,432
Ontario Trillium Foundation	4,113	-
Regional Municipality of Niagara - Feast on Film	16,000	-
Regional Municipality of Niagara - Tourism Adaption Relief Fund	847	-
SCCIP - sustaining program	43,308	42,500
City of St. Catharines - Feasibility Study	-	10,000
YMCA of Niagara - Youth Job Connection	-	610
	<hr/>	<hr/>
	\$272,192	\$189,641

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 2**

Schedule of Expenditures for the year ended June 30, 2021

	2021	2020
Artistic, Technical and Programming Expenses		
Artists' and professional fees	\$42,733	\$42,028
Artists' fees - art rental program	9,639	-
Artistic salaries and benefits	81,746	79,900
Production and technical services	24,775	2,992
Exhibition, programming and production expenses	19,080	17,987
Professional development programming for arts community	1,000	3,904
Catalogue and documentation expense	3,753	2,508
Education, audience development and outreach	4,209	7,251
Other artistic program and services	9,369	3,692
	<hr/> \$196,304	<hr/> \$160,262
Facility Operating Expenses		
Facility operating salaries and benefits	\$7,815	\$8,203
Insurance	5,563	6,364
Mortgage interest	8,966	9,405
Property taxes	5,316	4,160
Repairs and maintenance	8,347	6,010
Studio rent	39,913	39,913
Telephone and internet	3,446	3,524
Utilities	8,547	7,037
	<hr/> \$87,913	<hr/> \$84,616
Marketing and Communication Expenses		
Marketing & communication salaries and benefits	\$35,017	\$35,216
Marketing & communication professional fees	2,700	-
Marketing production	4,387	3,545
Other marketing and communications expenses	765	1,881
	<hr/> \$42,869	<hr/> \$40,642
Administration Expenses		
Administration salaries and benefits	\$27,401	\$55,387
Consulting fees	29,242	20,611
Professional fees	9,861	8,002
Bank charges	4,845	3,299
Office supplies	2,632	1,720
	<hr/> \$73,981	<hr/> \$89,019

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Statement of Cash Flows for the year ended June 30, 2021

	2021	2020
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue)	\$8,764	(\$767)
Items not affecting cash:		
Amortization of deferred contributions	(10,239)	(7,593)
Amortization of capital assets	19,848	17,806
Changes in non-cash working capital:		
Accounts receivable	(28,298)	3,778
HST receivable	(3,007)	939
Prepaid expenses	205	1,549
Accounts payable and accrued liabilities	8,645	(5,821)
Employee deductions payable	159	4,307
Mortgage term loan payable	(8,914)	(8,475)
Deferred revenue - Canada Council for the Arts	(17,500)	17,500
Deferred revenue - Ontario Arts Council	(14,650)	14,650
Deferred - Ontario Trillium Foundation	41,327	-
Deferred revenue - other	(10,484)	47,775
	(14,144)	85,648
Cash flows from investing activities		
Acquisition of capital assets	(26,582)	(4,211)
Deferred contributions - capital received	24,209	-
	(2,373)	(4,211)
Increase (decrease) in cash position	(16,517)	81,437
Cash position, beginning of year	96,029	14,592
Cash position, end of year	\$79,512	\$96,029

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2021

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%

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2021

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, 2021

3. Capital Assets

			2021	2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	393,936	152,455	241,481	251,543
Computer equipment	24,386	16,999	7,387	4,837
Furnishings	28,982	27,702	1,280	1,600
Installation and arts resource equipment	132,362	104,369	27,993	13,427
	<u>\$646,693</u>	<u>\$301,525</u>	<u>\$345,168</u>	<u>\$338,434</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.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2021

6. Deferred Revenue - Ontario Trillium Foundation - Resilient Communities Fund

During the year, the organization received grant monies from the Ontario Trillium Foundation in accordance with the terms of an approved funding agreement. The total amount of the approved grant is \$60,800. The project is focussed on rebuilding and recovering from the impacts of COVID-19 by providing audiences with continued access to the arts by showing film and media art screenings outside. Certain amounts have been deferred and will be realized when expended.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	-	-
Received during the year	54,800	-
Realized as revenue during the year	(4,113)	-
Realized during the year - deferred capital contributions	(9,360)	-
	<u>(13,473)</u>	<u>-</u>
Balance, end of year	<u>\$41,327</u>	<u>-</u>

7. Deferred Revenue - Other

Changes in the deferred revenue balances are as follows:

	Regional Municipality of Niagara	Department of Canadian Heritage	Service Canada CSJ	Other	2021	2020
Balance, beginning	-	\$47,775	-	\$6,800	\$54,575	\$6,800
Received during the year	7,350	-	12,926	9,000	29,276	47,775
Realized during the year	-	(29,242)	(9,018)	(1,500)	(39,760)	-
Balance, ending	<u>\$7,350</u>	<u>\$18,533</u>	<u>\$3,908</u>	<u>\$14,300</u>	<u>\$44,091</u>	<u>\$54,575</u>

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2021

8. 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.

	2021	2020
Balance, beginning of year	\$114,898	\$122,491
Received during the year		
Ontario Trillium Foundation	9,360	-
Niagara Region - Tourism Adaption Relief Fund	4,849	-
Donation	10,000	-
	24,209	-
Amortized to revenue	(10,239)	(7,593)
Balance, end of year	\$128,868	\$114,898

9. 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 (2021 - \$594; 2020 - \$680). As at the year end the capital amount on deposit was \$14,256.

10. 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 following year are \$6,400.

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2021

11. 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 up to 75% of employees wages and the Canada Emergency Rent Subsidy (CERS) for which the Government of Canada provides a subsidy of up to 75% of rent expenses.

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.

12. 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.

13. Comparative Amounts

Certain comparative amounts from 2020 have been reclassified to conform to the presentation adopted for 2021.