

NIAGARA ARTISTS' COMPANY
Financial Statements

Year Ended June 30, 2018

NIAGARA ARTISTS' COMPANY
Index to the Financial Statements
Year Ended June 30, 2018

Contents

	Page
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 - 17



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, 2018, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2018, 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, 2018 and June 30, 2017, 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, 2017.

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, 2018 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.

St. Catharines, Ontario
December 6, 2018



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, 2018

	2018	2017
ASSETS		
Current Assets		
Cash	\$28,158	\$50,893
Accounts receivable	7,442	22,520
HST receivable	4,585	4,809
Inventory	-	1,120
Prepaid expenses	8,052	9,165
	<u>48,237</u>	<u>88,507</u>
Capital Assets (note 3)		
Land	67,027	67,027
Building	393,936	386,536
Computer equipment	15,545	15,545
Furnishings	28,982	28,982
Installation and arts resource equipment	105,311	105,311
	<u>610,801</u>	<u>603,401</u>
Less: accumulated depreciation	<u>244,556</u>	<u>222,522</u>
	<u>366,245</u>	<u>380,879</u>

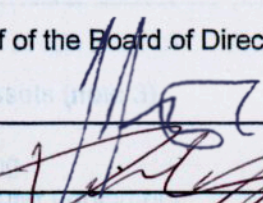
ASSETS

Current Assets

	<u>\$414,482</u>	<u>\$469,386</u>
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See accompanying notes to the financial statements

On Behalf of the Board of Directors:

Director: Director: 

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$18,519	\$14,858
Employee deductions payable	-	3,789
Mortgage term loan payable (note 5)	208,585	216,314
Deferred revenue - Filmhouse	4,000	-
Deferred revenue - Canada Council for the Arts (note 6)	-	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)	18,908	13,353
	<u>250,012</u>	<u>329,838</u>
Deferred contributions - capital (note 10)	131,367	134,382
	<u>131,367</u>	<u>134,382</u>
Total Liabilities	381,379	464,220
Net Assets	33,103	5,166
Commitments (note 12)		
	<u>\$414,482</u>	<u>\$469,386</u>

NIAGARA ARTISTS' COMPANY

Statement of Operations and Changes in Net Assets for the year ended June 30, 2018

	2018	2017
Revenue		
Earned revenue (Schedule 1)	\$192,833	\$225,170
Investment revenue (Schedule 1)	623	539
Private sector revenue (Schedule 1)	68,165	98,948
Public Sector revenue - Grants (Schedule 1)	168,969	169,178
	<u>430,590</u>	<u>493,835</u>
Expenditures		
Artistic, technical and programming expenses (Schedule 2)	166,970	280,773
Facility operating expenses (Schedule 2)	100,038	92,180
Marketing and communication expenses (Schedule 2)	43,072	32,428
Administration expenses (Schedule 2)	67,072	70,292
General fundraising expenses	13,882	9,099
	<u>391,034</u>	<u>484,772</u>
Excess of revenue over expenditures before capital items	39,556	9,063
Capital items:		
Amortization of capital assets	(22,034)	(24,719)
Amortization of deferred contributions	10,415	10,722
	<u>(11,619)</u>	<u>(13,997)</u>
Excess of revenue over expenditures (expenditures over revenue)	27,937	(4,934)
Balance, net assets beginning of year	5,166	10,100
Balance, net assets end of year	<u>\$33,103</u>	<u>\$5,166</u>

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 1**

Schedule of Revenue for the year ended June 30, 2018

	2018	2017
Earned Revenue		
Presenting admissions	\$6,440	\$41,667
Artistic revenue	20,746	15,422
Fees and guarantees	96,000	107,692
Workshops, meetings and classes	-	3,000
Memberships	10,745	11,466
Facilities and equipment rental	19,038	16,709
Studio rental	32,203	18,845
Other earned revenue	7,661	10,369
	\$192,833	\$225,170
Investment Revenue		
Endowment revenue	\$623	\$539
	\$623	\$539
Private Sector Revenue		
Individual donations	\$14,160	\$31,567
Corporate donations and sponsorships	11,250	28,710
Niagara Community Foundation - Regan Peacock-Fung Bursary	950	822
Niagara Community Foundation - Alice Crawley Endowment	418	355
General fundraising revenue	38,566	32,444
Bingo	2,821	5,050
	\$68,165	\$98,948
Public Sector Revenue (Grants)		
Canada Council for the Arts	\$50,000	\$50,000
Ontario Arts Council	28,247	25,270
Ontario Arts Council - Compass	5,197	-
Service Canada	6,448	2,909
Ontario Trillium Foundation - Studio project	29,948	39,152
Ontario Trillium Foundation - Keeping NAC Cool	3,076	-
Regional Municipality of Niagara - Big Dreams Big Screens	6,553	12,197
SCCIP - sustaining program	39,500	30,000
SCCIP - Voix de Ville	-	7,650
Niagara College - Youth Job Connection	-	2,000
	\$168,969	\$169,178

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY**SCHEDULE 2**

Schedule of Expenditures for the year ended June 30, 2018

	2018	2017
Artistic, Technical and Programming Expenses		
Artists' and professional fees	\$36,662	\$124,227
Artistic salaries and benefits	82,273	71,740
Production and technical services	1,249	5,090
Exhibition, programming and production expenses	10,128	45,910
Professional development programming for arts community	2,110	1,000
Catalogue and documentation expense	3,358	5,248
Education, audience development and outreach	4,858	4,897
Other artistic program and services	26,332	22,661
	<hr/>	<hr/>
	\$166,970	\$280,773
Facility Operating Expenses		
Facility operating salaries and benefits	\$10,045	\$15,267
Insurance	7,183	6,671
Mortgage interest	10,151	10,511
Property taxes	4,267	4,722
Repairs and maintenance	19,321	15,512
Studio rent	39,913	29,935
Telephone	2,162	1,966
Utilities	6,996	7,596
	<hr/>	<hr/>
	\$100,038	\$92,180
Marketing and Communication Expenses		
Marketing & communication salaries and benefits	\$35,666	\$21,502
Marketing & communication professional fees	-	5,568
Marketing production	4,956	4,371
Other marketing and communications expenses	2,450	987
	<hr/>	<hr/>
	\$43,072	\$32,428
Administration Expenses		
Administration salaries and benefits	\$45,669	\$54,734
Consulting fees	8,865	3,151
Professional fees	6,942	7,589
Bank charges	4,411	3,572
Office supplies	1,185	1,030
Other administration expenses	-	216
	<hr/>	<hr/>
	\$67,072	\$70,292

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Statement of Cash Flows for the year ended June 30, 2018

	2018	2017
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue)	\$27,937	(\$4,934)
Items not affecting cash:		
Amortization of deferred contributions	(10,415)	(10,722)
Amortization of capital assets	22,034	24,719
Changes in non-cash working capital:		
Accounts receivable	15,078	(10,528)
HST receivable	224	(4,751)
Inventory	1,120	205
Prepaid expenses	1,113	(1,564)
Accounts payable and accrued liabilities	3,661	(4,598)
Employee deductions payable	(3,789)	1,013
Mortgage term loan payable	(7,729)	(7,369)
Deferred revenue - Filmhouse	4,000	(13,650)
Deferred revenue - Canada Council for the Arts	(50,000)	-
Deferred - Ontario Trillium Foundation - Keeping NAC Cool	(8,676)	8,676
Deferred - Ontario Trillium Foundation - Studio project	(22,848)	22,848
Deferred revenue - other	5,555	4,653
	(22,735)	3,998
Cash flows from investing activities		
Acquisition of capital assets	(7,400)	(18,102)
Deferred contributions - capital received	7,400	16,409
	-	(1,693)
Increase (decrease) in cash position	(22,735)	2,305
Cash position, beginning of year	50,893	48,588
Cash position, end of year	\$28,158	\$50,893

See accompanying notes to the financial statements

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2018

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, 2018

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, 2018

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 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.

3. Capital Assets

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	393,936	120,995	272,941	276,760
Computer equipment	15,545	12,476	3,069	4,384
Furnishings	28,982	26,482	2,500	3,125
Installation and arts resource equipment	105,311	84,603	20,708	29,583
	<u>\$610,801</u>	<u>\$244,556</u>	<u>\$366,245</u>	<u>\$380,879</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, 2018

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$50,000	\$50,000
Received during the year	-	50,000
Realized as revenue	(50,000)	(50,000)
Balance, end of year	<u>-</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. The project was completed during the year and all monies were expended.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$8,676	-
Received during the year	1,800	17,600
Realized as revenue during the year	(3,076)	-
Realized during the year - deferred capital contributions	(7,400)	(8,924)
	<u>(10,476)</u>	<u>(8,924)</u>
Balance, end of year	<u>-</u>	<u>\$8,676</u>

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2018

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. The project was completed during the year and all monies have been expended.

	2018	2017
Balance, beginning of year	\$22,848	-
Received during the year	7,100	64,500
Realized as revenue during the year	(29,948)	(39,152)
Realized during the year - deferred capital contributions	-	(2,500)
	<u>(29,948)</u>	<u>(41,652)</u>
Balance, end of year	<u>-</u>	<u>\$22,848</u>

9. Deferred Revenue - Other

Changes in the deferred revenue balances are as follows:

	Regional Municipality of Niagara	Ontario Arts Council	Service Canada	Other	2018	2017
Balance, beginning	\$6,553	-	-	\$6,800	\$13,353	\$8,700
Received during the year	4,984	10,000	8,769	-	23,753	19,250
Realized during the year	(6,553)	(5,197)	(6,448)	-	(18,198)	(14,597)
Balance, ending	\$4,984	\$4,803	\$2,321	\$6,800	\$18,908	\$13,353

NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2018

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

	2018	2017
Balance, beginning of year	\$134,382	\$128,695
Realized during the year		
Donations	-	4,985
Ontario Trillium Foundation - Keeping NAC Cool	7,400	8,924
Ontario Trillium Foundation - Studio project	-	2,500
	7,400	16,409
Amortized to revenue	(10,415)	(10,722)
Balance, end of year	<u>\$131,367</u>	<u>\$134,382</u>

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 (2018 - \$623; 2017 - \$539). As at the year end the capital amount on deposit was \$15,802.

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 that 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, 2018

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.

14. Comparative Amounts

Certain comparative amounts from 2017 have been reclassified to conform to the presentation adopted for 2018.