

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

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Year Ended June 30, 2019

# **NIAGARA ARTISTS' COMPANY**

Index to the Financial Statements

Year Ended June 30, 2019

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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, 2019, the statement of operations and changes in net assets and the statement of cash flows for the year ended June 30, 2019, 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, 2019 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, 2019 and June 30, 2018, any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets. This caused me to qualify my audit opinion on the financial statements as at and for the year ended June 30, 2018.

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 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.



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

St. Catharines, Ontario  
November 28, 2019



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

## Statement of Financial Position as at June 30, 2019

See accompanying notes to the financial statements

Director: [Signature]

Director: \_\_\_\_\_

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$13,432	\$18,519
Employee deductions payable	4,255	-
Mortgage term loan payable (note 5)	200,480	208,585
Deferred revenue - Filmhouse	-	4,000
Deferred revenue - other (note 6)	6,800	18,908
	<u>224,967</u>	<u>250,012</u>
Deferred contributions - capital (note 7)	122,491	131,367
	<u>122,491</u>	<u>131,367</u>
Total Liabilities	347,458	381,379
Net Assets	55,585	33,103
Commitments (note 9)		
	<u>\$403,043</u>	<u>\$414,482</u>

**NIAGARA ARTISTS' COMPANY**

Statement of Operations and Changes in Net Assets for the year ended June 30, 2019

	2019	2018
<b>Revenue</b>		
Earned revenue (Schedule 1)	\$189,986	\$192,833
Investment revenue (Schedule 1)	536	623
Private sector revenue (Schedule 1)	71,843	68,165
Public Sector revenue - Grants (Schedule 1)	150,249	168,969
	<u>412,614</u>	<u>430,590</u>
<b>Expenditures</b>		
Artistic, technical and programming expenses (Schedule 2)	170,672	166,970
Facility operating expenses (Schedule 2)	82,549	100,038
Marketing and communication expenses (Schedule 2)	45,355	43,072
Administration expenses (Schedule 2)	69,165	67,072
General fundraising expenses	11,952	13,882
	<u>379,693</u>	<u>391,034</u>
Excess of revenue over expenditures before capital items	32,921	39,556
<b>Capital items:</b>		
Amortization of capital assets	(19,315)	(22,034)
Amortization of deferred contributions	8,876	10,415
	<u>(10,439)</u>	<u>(11,619)</u>
Excess of revenue over expenditures	22,482	27,937
Balance, net assets beginning of year	33,103	5,166
<b>Balance, net assets end of year</b>	<u>\$55,585</u>	<u>\$33,103</u>

See accompanying notes to the financial statements



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

Schedule of Revenue for the year ended June 30, 2019

	2019	2018
<b>Earned Revenue</b>		
Presenting admissions	\$4,576	\$6,440
Artistic revenue	7,294	20,746
Fees and guarantees	96,000	96,000
Memberships	9,490	10,745
Facilities and equipment rental	20,995	19,038
Art rental	6,432	-
Studio rental	40,477	32,203
Other earned revenue	4,722	7,661
	<b>\$189,986</b>	<b>\$192,833</b>
<b>Investment Revenue</b>		
Endowment revenue	\$536	\$623
	<b>\$536</b>	<b>\$623</b>
<b>Private Sector Revenue</b>		
Individual donations	\$13,240	\$14,160
Corporate donations and sponsorships	16,521	11,250
Niagara Community Foundation - Regan Peacock-Fung Bursary	817	950
Niagara Community Foundation - Alice Crawley Endowment	359	418
General fundraising revenue	36,509	38,566
Bingo	4,397	2,821
	<b>\$71,843</b>	<b>\$68,165</b>
<b>Public Sector Revenue (Grants)</b>		
Canada Council for the Arts	\$50,000	\$50,000
Ontario Arts Council	31,848	28,247
Ontario Arts Council - Compass	4,803	5,197
Service Canada	7,141	6,448
Ontario Trillium Foundation - Studio project	-	29,948
Ontario Trillium Foundation - Keeping NAC Cool	-	3,076
Regional Municipality of Niagara - Big Dreams Big Screens	-	6,553
Regional Municipality of Niagara - The Studio Steps	9,967	-
SCCIP - sustaining program	41,000	39,500
YMCA of Niagara - Youth Job Connection	5,490	-
	<b>\$150,249</b>	<b>\$168,969</b>

See accompanying notes to the financial statements

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

Schedule of Expenditures for the year ended June 30, 2019

	2019	2018
<b>Artistic, Technical and Programming Expenses</b>		
Artists' and professional fees	\$35,291	\$36,662
Artistic salaries and benefits	78,014	82,273
Production and technical services	3,242	1,249
Exhibition, programming and production expenses	19,274	10,128
Professional development programming for arts community	6,700	2,110
Catalogue and documentation expense	2,351	3,358
Education, audience development and outreach	12,803	4,858
Other artistic program and services	12,997	26,332
	<hr/> \$170,672	<hr/> \$166,970
<b>Facility Operating Expenses</b>		
Facility operating salaries and benefits	\$8,430	\$10,045
Insurance	7,876	7,183
Mortgage interest	9,775	10,151
Property taxes	4,161	4,267
Repairs and maintenance	4,571	17,521
Storage rental	1,850	1,800
Studio rent	36,587	39,913
Telephone	2,444	2,162
Utilities	6,855	6,996
	<hr/> \$82,549	<hr/> \$100,038
<b>Marketing and Communication Expenses</b>		
Marketing & communication salaries and benefits	\$34,481	\$35,666
Marketing production	9,371	4,956
Other marketing and communications expenses	1,503	2,450
	<hr/> \$45,355	<hr/> \$43,072
<b>Administration Expenses</b>		
Administration salaries and benefits	\$51,746	\$45,669
Consulting fees	5,197	8,865
Professional fees	7,301	6,942
Bank charges	3,443	4,411
Office supplies	1,478	1,185
	<hr/> \$69,165	<hr/> \$67,072

See accompanying notes to the financial statements

**NIAGARA ARTISTS' COMPANY**

Statement of Cash Flows for the year ended June 30, 2019

	2019	2018
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures	\$22,482	\$27,937
Items not affecting cash:		
Amortization of deferred contributions	(8,876)	(10,415)
Amortization of capital assets	19,315	22,034
Changes in non-cash working capital:		
Accounts receivable	(16,345)	15,078
HST receivable	(620)	224
Inventory	-	1,120
Prepaid expenses	622	1,113
Accounts payable and accrued liabilities	(5,087)	3,661
Employee deductions payable	4,255	(3,789)
Mortgage term loan payable	(8,105)	(7,729)
Deferred revenue - Filmhouse	(4,000)	4,000
Deferred revenue - Canada Council for the Arts	-	(50,000)
Deferred - Ontario Trillium Foundation - Keeping NAC Cool	-	(8,676)
Deferred - Ontario Trillium Foundation - Studio project	-	(22,848)
Deferred revenue - other	(12,108)	5,555
	(8,467)	(22,735)
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(5,099)	(7,400)
Deferred contributions - capital received	-	7,400
	(5,099)	-
<b>Cash flows from financing activities</b>		
Mortgage repayment	-	-
	-	-
Decrease in cash position	(13,566)	(22,735)
Cash position, beginning of year	28,158	50,893
<b>Cash position, end of year</b>	<b>\$14,592</b>	<b>\$28,158</b>

See accompanying notes to the financial statements

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2019

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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, 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) 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, 2019

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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, 2019

**3. Capital Assets**

			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$67,027	-	\$67,027	\$67,027
Building	393,936	131,912	262,024	272,941
Computer equipment	16,254	13,503	2,751	3,069
Furnishings	28,982	26,982	2,000	2,500
Installation and arts resource equipment	109,701	91,474	18,227	20,708
	<u>\$615,900</u>	<u>\$263,871</u>	<u>\$352,029</u>	<u>\$366,245</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 - Other**

Changes in the deferred revenue balances are as follows:

	Regional Municipality of Niagara	Ontario Arts Council	Service Canada	Other	2019	2018
Balance, beginning	\$4,984	\$4,803	\$2,321	\$6,800	\$18,908	\$13,353
Received during the year	4,983	-	4,820	-	9,803	23,753
Realized during the year	(9,967)	(4,803)	(7,141)	-	(21,911)	(18,198)
<b>Balance, ending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$6,800</b>	<b>\$6,800</b>	<b>\$18,908</b>

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2019

### 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.

	2019	2018
Balance, beginning of year	\$131,367	\$134,382
Realized during the year		
Ontario Trillium Foundation - Keeping NAC Cool	-	7,400
	-	7,400
Amortized to revenue	(8,876)	(10,415)
Balance, end of year	<u>\$122,491</u>	<u>\$131,367</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 (2019 - \$536; 2018 - \$623). As at the year end the capital amount on deposit was \$14,805.

### 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 3 years are as follows:

2020	\$ 38,400
2021	\$ 38,400
2022	\$ 6,400

## NIAGARA ARTISTS' COMPANY

Notes to Financial Statements

Year Ended June 30, 2019

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### 10. 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.

### 11. Comparative Amounts

Certain comparative amounts from 2018 have been reclassified to conform to the presentation adopted for 2019.