

ARTS ETOBICOKE
FINANCIAL STATEMENTS
JUNE 30, 2019

Jackson & Co., LLP

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INDEPENDENT AUDITOR'S REPORT

To: The Members of Arts Etobicoke

We have audited the accompanying financial statements of Arts Etobicoke as at June 30, 2019 which comprise the statement of financial position and the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donation revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Arts Etobicoke 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.

Jackson & Co., LLP

September 14, 2019

Chartered Professional Accountants
Licensed Public Accountants

ARTS ETOBICOKE
(Incorporated under the laws of the Province of Ontario)

STATEMENT OF FINANCIAL POSITION

June 30, 2019

	2019	2018
	\$	\$
ASSETS		
<i>Current</i>		
Cash and cash equivalents	46,333	124,442
Investments (note 3)	286,215	183,066
Accounts receivable	33,867	34,869
Prepaid expenses and deposits	6,079	6,259
	372,494	348,636
Capital (note 4)	17,628	20,852
Art collection	1	1
TOTAL ASSETS	390,123	369,489
LIABILITIES		
<i>Current</i>		
Accounts payable and accrued liabilities	11,513	20,960
Government remittances payable	5,745	6,883
Taxes payable	3	2,037
	17,261	29,880
Deferred revenue (note 5)	49,000	35,910
	66,261	65,790
NET ASSETS		
Net assets - unrestricted	323,862	303,699
TOTAL LIABILITIES & NET ASSETS	390,123	369,489

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

See accompanying notes

ARTS ETOBICOKE

(Incorporated under the laws of the Province of Ontario)

STATEMENT OF OPERATIONS and CHANGES IN NET ASSETS**June 30, 2019**

	2019	2018
	\$	\$
Revenues		
Government grants	630,203	645,582
Donations	145,680	152,320
Workshop and program fees	64,053	3,714
Interest and investments	20,080	24,196
Art and rental sales	18,438	37,559
Fundraising	12,275	10,893
Membership fees	10,117	6,565
	900,846	880,829
Expenses		
Wages and benefits	323,426	386,139
Artist fees	171,702	80,909
Exhibitions and programs	76,829	49,877
Member communications	66,072	58,178
Marketing and promotion	62,751	56,207
Rent	51,138	51,138
Education	43,623	36,077
Miscellaneous	16,426	11,064
Fundraising events	16,330	20,030
Premises expenses	14,624	19,784
Depreciation	10,981	12,628
Office and general	10,649	12,515
Telephone and internet	6,975	9,450
Legal and audit fees	6,122	15,791
Bank charges and interest	3,035	3,209
	880,683	822,996
Excess of revenues over expenses	20,163	57,833
Fund balance, beginning of year	303,699	245,866
Fund balance, end of year	323,862	303,699

See accompanying notes

ARTS ETOBICOKE
(Incorporated under the laws of the Province of Ontario)

STATEMENT OF CASH FLOWS

June 30, 2019

	2019	2018
	\$	\$
Operating activities		
Working capital from operations		
Excess of revenues over expenses	20,163	57,833
Add : items not requiring an outlay of cash:		
Depreciation	10,981	12,628
	<u>31,144</u>	<u>70,461</u>
Net change in non-cash working capital accounts		
(Increase) decrease in accounts receivable	1,002	23,096
(Increase) decrease in deferred revenue	13,090	(471,856)
(Increase) decrease in prepaid expenses	180	271
Increase (decrease) in taxes payable	(2,034)	2,034
Increase (decrease) in accounts payable and accruals	(9,449)	(5,303)
Increase (decrease) in Government remittances payable	(1,138)	(6,246)
	<u>1,651</u>	<u>(458,004)</u>
Cash flow from operating activities	<u>32,795</u>	<u>(387,543)</u>
Financing activities		
Investing activities		
Purchase of capital assets	(7,757)	(28,596)
Increase in investments	(103,146)	(162)
Cash generated by (used in) investing activities	<u>(110,903)</u>	<u>(28,758)</u>
Increase (decrease) in cash for the year	<u>(78,108)</u>	<u>(416,301)</u>
Cash and cash equivalents, beginning of year	124,442	540,743
Cash and cash equivalents, end of year	<u>46,334</u>	<u>124,442</u>

See accompanying notes

ARTS ETOBICOKE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

1. OBJECTIVES OF ARTS ETOBICOKE

Arts Etobicoke ("The Organization") was incorporated on February 16, 1973 under the laws of the Province of Ontario. Arts Etobicoke is a not-for-profit organization whose purpose is to engage all people in the West Toronto area with the arts and artists in their own community. As a registered charitable organization, Arts Etobicoke may issue tax-deductible receipts to donors and is exempt from taxation under section 149(1)(1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. A summary of its significant accounting policies follows:

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Cash and equivalents

Cash and equivalents include cash on hand, short-term deposits with initial maturities of one year or less.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is calculated at the following rates and bases over the estimated useful lives of the assets:

Leasehold Improvements	Lease term, plus renewal
Computer equipment	2 years straight line
Office equipment	5 years straight line

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Art collection

The Organization's collection of artworks consists of donated paintings and prints, held for public exhibition and rental. The value of the works of art has been excluded from the statement of financial position except for a nominal value of \$1. Accessions of art for the collection, both purchased and those gifted, are expensed in the year of acquisition. Where the expertise does not exist internally, gifted works of art are valued for historical purposes based on appraisals by independent external appraisers.

ARTS ETOBICOKE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue recognition

The Organization 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 are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Revenues generated from art rentals, interest and dividends are recognized as revenue when earned.

Government assistance

Government assistance related to current expenditures is reflected in the accounts as revenue in the current year. Assistance related to a particular program or project is taken into income in proportion to the expenses incurred during the contractual period funded. Assistance related to the purchase of capital assets is deferred and brought into revenue in the year of the capital expenditure.

Contributed materials and services

Donations of materials which are not normally purchased by the Organization are not recorded in the accounts. The work of the Organization is also heavily dependent on the voluntary service of its members. Since these services are not normally purchased by the Organization, and because of the difficulty of determining their fair value, the value of donated volunteer services is not recognized in these financial statements.

Financial instruments

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 amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value with changes in fair value recognized in net earnings.

The carrying amount of the financial assets or liabilities are adjusted by the transaction costs, which are recognized in net earnings.

3. INVESTMENTS

Investments, which consist of a BMO investment account, are recorded at market value. Changes in the market value are recorded in operations monthly.

ARTS ETOBICOKE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

4. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net 2019	Net 2018
	\$	\$	\$	\$
Office equipment	42,028	38,676	3,352	2,191
Computers	54,715	51,904	2,811	1,463
Leasehold improvements	22,931	11,466	11,465	17,198
	119,674	102,046	17,628	20,852

5. DEFERRED REVENUE

	2019	2018
	\$	\$
Government Grants:		
City of Toronto - Cultural Spot	33,000	-
City of Toronto - Bell Manor	12,500	-
Ontario Trillium Foundation - Capital	-	8,910
 Programming Grants:		
GTAA Propeller Project	-	25,000
 Other:		
Retired Teachers Grant	3,500	-
Dixon Summer Camp	-	2,000
	49,000	35,910

6. FINANCIAL INSTRUMENTS and RISK

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the Statement of Financial Position date.

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk on its accounts receivable. This risk is mitigated by regular monitoring and follow up of uncollected amounts.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to currency or other price risks.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk because of its investments. This risk is low since the investments made are very conservative, short term and do not fluctuate significantly.

ARTS ETOBICOKE

NOTES TO THE FINANCIAL STATEMENTS

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6. FINANCIAL INSTRUMENTS and RISK (*continued*)

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from accounts payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

7. SPONSORSHIPS AND GIFTS IN KIND

Included in revenue and expenses for the year is the amount of \$103,475 (2018 - \$87,292) in corporate non-cash gifts in kind pertaining to advertising and publication services and \$1,674 (2018 - \$6,141) pertaining to fundraising goods and services.

8. COMMITMENTS

The Organization is committed to a lease agreement for its operating premises expiring on January 31, 2021. Minimum lease commitments over the next two years are as follows:

2020 - \$49,200

2021 - \$28,700

9. CREDIT FACILITIES

The organization has a \$40,000 revolving demand loan available with the Royal Bank of Canada which is due on demand bearing interest at 2.95% per annum. As of year end, the organization has not drawn on this loan.

10. COMPARATIVE FIGURES

Certain of the 2018 comparative figures have been reclassified to conform to the presentation adopted in 2019.