

ELORA CENTRE FOR THE ARTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

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ELORA CENTRE FOR THE ARTS
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YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the members of Elora Centre for the Arts

We have reviewed the accompanying financial statements of Elora Centre for the Arts that comprise the statement of financial position as at August 31, 2018 and the statements of operations, 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 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of the financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Elora Centre for the Arts as at August 31, 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.

Guelph, Ontario
November 6, 2018

Chartered Professional Accountants
Licensed Public Accountants

ELORA CENTRE FOR THE ARTS
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2018	2017
ASSETS		
CURRENT		
Cash (note 5)	\$ 578	\$ 53,011
Accounts receivable	40	170
Prepaid expenses	<u>4,791</u>	<u>1,002</u>
	5,409	54,183
CAPITAL ASSETS (note 4)	<u>351,191</u>	<u>313,425</u>
	<u>\$ 356,600</u>	<u>\$ 367,608</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 24,995	\$ 39,821
Government remittances payable	7,741	1,976
Deferred capital contributions (note 6)	22,254	34,518
Deferred income	2,452	11,389
Current portion of long term debt (note 7)	<u>12,984</u>	<u>30,369</u>
	70,426	118,073
LONG TERM DEBT (note 7)	<u>298,021</u>	<u>229,953</u>
	<u>368,447</u>	<u>348,026</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	40,186	35,243
UNRESTRICTED NET ASSETS	(54,798)	(18,426)
RESTRICTED NET ASSETS - LIPTON FUND	<u>2,765</u>	<u>2,765</u>
	<u>(11,847)</u>	<u>19,582</u>
	<u>\$ 356,600</u>	<u>\$ 367,608</u>

ELORA CENTRE FOR THE ARTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

	Invested In Capital Assets	Unrestricted Net Assets	Lipton Fund	2018	2017
NET ASSETS, beginning of year	\$ 35,243	\$ (18,426)	\$ 2,765	\$ 19,582	\$ 31,711
NET EXPENDITURES over REVENUES	(17,386)	(14,043)	0	(31,429)	(12,129)
Interfund transfers (note 2(e))	<u>22,329</u>	<u>(22,329)</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of year	<u>\$ 40,186</u>	<u>\$ (54,798)</u>	<u>\$ 2,765</u>	<u>\$ (11,847)</u>	<u>\$ 19,582</u>

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ELORA CENTRE FOR THE ARTS
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2018	2017
REVENUES		
Programs	\$ 99,275	\$ 91,868
Rental	90,463	76,112
Donations	53,124	27,848
Grant (note 8)	44,504	38,725
Fundraising	30,887	25,106
Other	<u>0</u>	<u>2,447</u>
	<u>318,253</u>	<u>262,106</u>
EXPENDITURES		
Wages and benefits	141,764	82,374
Programs	59,965	50,249
Property (note 10)	50,624	57,057
Marketing	24,175	14,378
Fundraising	21,286	27,628
Administration (note 9)	18,633	15,992
Bank charges and interest	<u>15,849</u>	<u>13,616</u>
	<u>332,296</u>	<u>261,294</u>
(DEFICIT) SURPLUS BEFORE AMORTIZATION	<u>(14,043)</u>	<u>812</u>
AMORTIZATION	<u>(17,386)</u>	<u>(12,941)</u>
NET EXPENDITURES OVER REVENUES	<u><u>\$ (31,429)</u></u>	<u><u>\$ (12,129)</u></u>

ELORA CENTRE FOR THE ARTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net expenditures over revenues for the year	\$ (31,429)	\$ (12,129)
Items not requiring an outlay of cash		
Amortization	<u>17,386</u>	<u>12,941</u>
	(14,043)	812
Changes in non-cash working capital		
Accounts receivable	130	691
Prepaid expenses	(3,789)	166
Accounts payable and accrued liabilities	(14,826)	15,736
Government remittances payable	5,765	(86)
Deferred capital contributions	(12,264)	44,749
Deferred income	<u>(8,937)</u>	<u>0</u>
	<u>(47,964)</u>	<u>62,068</u>
CASH (USED IN) FINANCING ACTIVITIES		
Issuance (repayment) of long term debt	<u>50,683</u>	<u>(29,924)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	<u>(55,152)</u>	<u>(19,670)</u>
NET (DECREASE) INCREASE IN CASH	(52,433)	12,474
NET CASH, BEGINNING OF YEAR	<u>53,011</u>	<u>40,537</u>
NET CASH, END OF YEAR	<u>\$ 578</u>	<u>\$ 53,011</u>

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

1. NATURE OF ORGANIZATION

The organization is a registered charity under paragraph 149(1)(f) of the Income Tax Act and, as such, is exempt from income taxes. The Elora Centre for the Arts is incorporated by letters patent without share capital under the Corporations Act of Ontario. The organization exists to renovate and maintain the former Elora Junior School building and associated lands at Elora, Ontario, as an arts school and cultural centre to serve the local community. The organization has established in this centre a public gallery dedicated to the exhibition and promotion of the arts and provides lectures, seminars, workshops and other forums for public education as well as studio and meeting space. The organization strives to provide a stimulating, welcoming venue for community youth aimed at enhancing artistic and cultural awareness and skills promoting co-operation and learning.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the organization be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the organization be unable to continue its existence.

(b) **CAPITAL ASSETS**

Capital assets are recorded at cost and amortized on the basis of their estimated useful lives using the following methods and rates:

Building	- 5 % declining balance basis
Furniture and equipment	- 20 % declining balance basis
Computer equipment	- 20 % declining balance basis

Amortization is recorded at 50% of the above rates in the year of addition.

(c) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Significant areas requiring management's estimates include amortization of capital assets and accrued liabilities. Actual results could differ from those estimates.

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

Transaction costs

The organization recognizes its transaction costs in net surplus in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) INTERFUND TRANSFERS

Transfers are made between unrestricted net assets and net assets invested in capital assets to fund capital purchases and to issue or repay debt used to finance the land and building.

(f) CONTRIBUTED MATERIALS AND SERVICES

Contributed materials, used in the normal course of operations, are recognized in the financial statements when the fair value can be reasonably estimated and the materials would otherwise have been purchased.

(g) FUND ACCOUNTING

General operating fund

The general operating fund reports resources available for the organization's general operating activities.

Lipton fund

The Lipton fund reports internally restricted resources that are to be used for education purposes as decided by the committee administering the fund.

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted contributions, comprised of grants, donations and fundraising revenue, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Programs revenue is recognized as revenue when the programs are held.

Rental revenue is recognized as revenue when earned and collection is reasonably assured.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2018 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Land	\$ 100,000	\$ 0	\$ 100,000	\$ 100,000
Building	372,750	164,438	208,312	192,309
Furniture and equipment	72,413	30,982	41,431	19,305
Computer equipment	<u>2,012</u>	<u>564</u>	<u>1,448</u>	<u>1,811</u>
	<u>\$ 547,175</u>	<u>\$ 195,984</u>	<u>\$ 351,191</u>	<u>\$ 313,425</u>

5. LINE OF CREDIT

The organization has utilized \$8,184 (2017 - nil) of an authorized operating line of credit with a limit up to a maximum of \$15,000. The line of credit bears interest at 5.2%. The line of credit is secured by a general security agreement. No conditions regarding this loan have been breached at year end and no accrued interest relating to this loan is owing.

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

(Unaudited - See Independent Practitioner's Review Engagement Report)

6. DEFERRED CAPITAL CONTRIBUTIONS

Changes in the deferred capital contributions balance are as follows:

	2018	2017
Beginning balance	\$ 34,518	\$ 0
Less amount expended in the year	(5,564)	(482)
Less portion of grant repaid	(6,700)	0
Add amount received relating to the following year	<u>0</u>	<u>35,000</u>
Ending balance	<u><u>\$ 22,254</u></u>	<u><u>\$ 34,518</u></u>

7. LONG TERM DEBT

	2018	2017
Royal Bank of Canada, demand loan, blended monthly payments of \$1,944, interest at prime plus 2%, due September 2018, secured by land and building with a carrying value of \$292,309 and a general security agreement	\$ 0	\$ 203,664
Township of Centre Wellington mortgage, non-interest bearing, secured by land and building with a carrying value of \$308,312, repayable in monthly instalments of \$417, due December 15, 2028.	\$ 50,000	\$ 40,000
WWCFDC, loan with interest at the rate of 4.5%, maturing in November 2019, blended monthly payments of \$662, secured by a general security agreement	0	16,658
Libro Credit Union mortgage, with interest at the rate of 5.22%, secured by land and building with a carrying value of \$308,312, maturing in March 1, 2023, blended monthly payments of \$1,773	<u>261,005</u>	<u>0</u>
	311,005	260,322
Less cash repayments required within 12 months	<u>12,984</u>	<u>30,369</u>
	<u><u>\$ 298,021</u></u>	<u><u>\$ 229,953</u></u>

Future payments on long term debt:

2019	\$ 12,984
2020	13,371
2021	13,849
2022	14,317
2023	10,689
Thereafter	<u>245,795</u>
	<u><u>\$ 311,005</u></u>

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FOR THE YEAR ENDED AUGUST 31, 2018

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8. GRANT REVENUE

During the year, the organization received or had receivable, funding from various levels of government and other organizations, as follows:

	2018	2017
Conestoga College	\$ 4,800	\$ 6,094
Community foundation grants	17,446	7,000
Federal and provincial staff grants	6,760	3,649
Municipal grants	8,164	6,000
Ontario Arts Council	0	5,000
Other grants	<u>7,334</u>	<u>10,982</u>
	<u>\$ 44,504</u>	<u>\$ 38,725</u>

The organization has met all relevant terms and conditions with respect to government assistance and, as of the date of this report, does not anticipate any liability for repayment.

9. ADMINISTRATION EXPENDITURES

	2018	2017
Computer software	\$ 1,385	\$ 133
Miscellaneous	996	180
Office	4,588	4,270
Professional development	0	647
Professional fees	7,872	3,000
Strategic plan and board development	513	6,588
Telephone and internet	2,799	1,174
Transportation	<u>480</u>	<u>0</u>
	<u>\$ 18,633</u>	<u>\$ 15,992</u>

10. PROPERTY EXPENDITURES

	2018	2017
Insurance	\$ 3,488	\$ 3,829
Property taxes	14,212	13,087
Repairs and maintenance	16,826	22,764
Security	2,138	108
Supplies	0	2,347
Utilities	<u>13,960</u>	<u>14,922</u>
	<u>\$ 50,624</u>	<u>\$ 57,057</u>