

ELORA CENTRE FOR THE ARTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

ELORA CENTRE FOR THE ARTS
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YEAR ENDED AUGUST 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of: Elora Centre for the Arts

Qualified Opinion

We have audited the accompanying financial statements of Elora Centre for the Arts, which comprise the statement of financial position as at August 31, 2019 and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Elora Centre for the Arts as at August 31, 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 charitable organizations, the organization derives some of its revenues from donations and fundraising activities, the completeness of which is not susceptible to 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 revenues, excess of revenues over expenditures and cash flows from operations for the years ended August 31, 2019 and August 31, 2018, current assets as at August 31, 2019 and August 31, 2018, and net assets as at September 1 and August 31 for the 2019 and 2018 years. The prior year financial statements for the year ended August 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Elora Centre for the Arts in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Handwritten signature of RLB LLP in black ink.

Guelph, Ontario
November 14, 2019

Chartered Professional Accountants
Licensed Public Accountants

ELORA CENTRE FOR THE ARTS
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (note 5)	\$ 62,796	\$ 578
Accounts receivable	1,054	40
Prepaid expenses	<u>1,822</u>	<u>4,791</u>
	65,672	5,409
CAPITAL ASSETS (note 4)	<u>333,535</u>	<u>351,191</u>
	<u><u>\$ 399,207</u></u>	<u><u>\$ 356,600</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 16,346	\$ 24,995
Government remittances payable	7,248	7,741
Deferred capital contributions (note 6)	54,043	22,254
Deferred income	1,972	3,530
Current portion of long term debt (note 7)	<u>14,664</u>	<u>12,984</u>
	94,273	71,504
LONG TERM DEBT (note 7)	<u>258,847</u>	<u>298,021</u>
	<u>353,120</u>	<u>369,525</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	60,024	40,186
UNRESTRICTED NET ASSETS	(16,702)	(55,876)
RESTRICTED NET ASSETS - LIPTON FUND	<u>2,765</u>	<u>2,765</u>
	<u>46,087</u>	<u>(12,925)</u>
	<u><u>\$ 399,207</u></u>	<u><u>\$ 356,600</u></u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

ELORA CENTRE FOR THE ARTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Invested In Capital Assets	Unrestricted Net Assets	Lipton Fund	2019	2018
NET ASSETS, beginning of YEAR	\$ 40,186	\$ (55,876)	\$ 2,765	\$ (12,925)	\$ 19,582
Net revenues over expenditures (expenditures over revenues)	(19,032)	78,044	0	59,012	(32,507)
Interfund transfers (note 2(e))	<u>38,870</u>	<u>(38,870)</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of YEAR	<u>\$ 60,024</u>	<u>\$ (16,702)</u>	<u>\$ 2,765</u>	<u>\$ 46,087</u>	<u>\$ (12,925)</u>

ELORA CENTRE FOR THE ARTS
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
REVENUES		
Rental	\$ 114,304	\$ 89,385
Grant (note 8)	105,152	44,504
Programs	102,883	99,275
Donations	38,670	53,124
Fundraising	<u>13,869</u>	<u>30,887</u>
	<u>374,878</u>	<u>317,175</u>
EXPENDITURES		
Wages and benefits	122,000	141,764
Property (note 10)	68,514	50,624
Marketing	27,688	24,175
Programs	27,302	59,965
Fundraising	20,115	21,286
Bank charges and interest	16,144	15,849
Administration (note 9)	<u>15,071</u>	<u>18,633</u>
	<u>296,834</u>	<u>332,296</u>
SURPLUS (DEFICIT) BEFORE AMORTIZATION	<u>78,044</u>	<u>(15,121)</u>
AMORTIZATION	<u>(19,032)</u>	<u>(17,386)</u>
NET REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	<u>\$ 59,012</u>	<u>\$ (32,507)</u>

ELORA CENTRE FOR THE ARTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net revenues over expenditures (expenditures over revenues) for the year	\$ 59,012	\$ (32,507)
Items not requiring an outlay of cash		
Amortization	<u>19,032</u>	<u>17,386</u>
	78,044	(15,121)
Changes in non-cash working capital		
Accounts receivable	(1,014)	130
Prepaid expenses	2,969	(3,789)
Accounts payable and accrued liabilities	(8,649)	(14,826)
Government remittances payable	(493)	5,765
Deferred capital contributions	31,789	(12,264)
Deferred income	<u>(1,558)</u>	<u>(7,859)</u>
	<u>101,088</u>	<u>(47,964)</u>
CASH (USED IN) FINANCING ACTIVITIES		
(Repayment) issuance of long term debt	<u>(37,494)</u>	<u>50,683</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	<u>(1,376)</u>	<u>(55,152)</u>
NET INCREASE (DECREASE) IN CASH	62,218	(52,433)
NET CASH, BEGINNING OF YEAR	<u>578</u>	<u>53,011</u>
NET CASH, END OF YEAR	<u>\$ 62,796</u>	<u>\$ 578</u>

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019

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, 2019

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 its financial instruments.

The extent of the organization's exposure to these risks did not change in 2019 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 2019	Net 2018
Land	\$ 100,000	\$ 0	\$ 100,000	\$ 100,000
Building	374,068	174,887	199,181	208,312
Furniture and equipment	72,413	39,269	33,144	41,431
Computer equipment	<u>2,070</u>	<u>860</u>	<u>1,210</u>	<u>1,448</u>
	<u>\$ 548,551</u>	<u>\$ 215,016</u>	<u>\$ 333,535</u>	<u>\$ 351,191</u>

5. LINE OF CREDIT

The organization has utilized \$nil (2018 - \$8,184) 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.

6. DEFERRED CAPITAL CONTRIBUTIONS

Changes in the deferred capital contributions balance are as follows:

	2019	2018
Beginning balance	\$ 22,254	\$ 34,518
Less amount expended in the year	(4,451)	(5,564)
Less portion of grant repaid	0	(6,700)
Add amount received relating to the following year	<u>36,240</u>	<u>0</u>
Ending balance	<u>\$ 54,043</u>	<u>\$ 22,254</u>

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

7. LONG TERM DEBT

	2019	2018
Township of Centre Wellington mortgage, non-interest bearing, secured by land and building with a carrying value of \$299,181, repayable in monthly instalments of \$417, due December 15, 2028.	\$ 46,667	\$ 50,000
Libro Credit Union mortgage, with interest at the rate of 5.22%, secured by land and building with a carrying value of \$299,181, maturing in March 1, 2023, blended monthly payments of \$1,773	<u>226,844</u>	<u>261,005</u>
	273,511	311,005
Less cash repayments required within 12 months	<u>14,664</u>	<u>12,984</u>
	<u>\$ 258,847</u>	<u>\$ 298,021</u>
Future payments on long term debt:		
2020	\$ 14,664	
2021	15,181	
2022	15,725	
2023	16,298	
2024	16,902	
Thereafter	<u>194,741</u>	
	<u>\$ 273,511</u>	

8. GRANT REVENUE

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

	2019	2018
Conestoga College	\$ 0	\$ 4,800
Community foundation grants	7,581	17,446
Federal and provincial staff grants	12,375	6,760
Municipal grants	85,090	8,164
Other grants	<u>106</u>	<u>7,334</u>
	<u>\$ 105,152</u>	<u>\$ 44,504</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.

ELORA CENTRE FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

9. ADMINISTRATION EXPENDITURES

	2019	2018
Computer software	\$ 3,033	\$ 1,385
Miscellaneous	795	996
Office	5,149	4,588
Professional fees	4,856	7,872
Strategic plan and board development	316	513
Telephone and internet	673	2,799
Transportation	<u>249</u>	<u>480</u>
	<u>\$ 15,071</u>	<u>\$ 18,633</u>

10. PROPERTY EXPENDITURES

	2019	2018
Insurance	\$ 2,413	\$ 3,488
Property taxes	16,103	14,212
Repairs and maintenance	34,234	16,826
Security	260	2,138
Utilities	<u>15,504</u>	<u>13,960</u>
	<u>\$ 68,514</u>	<u>\$ 50,624</u>