

GEORGINA ARTS COUNCIL

FINANCIAL STATEMENTS

December 31, 2019

GEORGINA ARTS COUNCIL

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Georgina Arts Council

Qualified Opinion

We have audited the financial statements of Georgina Arts Council (the "organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets 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 section of our report, the financial statements present fairly, in all material respects, the financial position of Georgina Arts Council as at December 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets as at December 31, 2019, and net assets as at January 1 and December 31 for the year. Our audit opinion on the financial statements for the year ended December 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 the organization 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 opinion.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to notes 12 and 13 in the financial statements, which indicates that the organization is economically dependent on revenue received from government funding without which the organization would not be able to discharge its liabilities and a world-wide pandemic. Our opinion has not been modified in respect to these matters.

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 ASNPO, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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 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. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ 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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization 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.

INDEPENDENT AUDITOR'S REPORT, continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Ascend LLP, Chartered Professional Accountants, Authorized to practice public accounting by
Chartered Professional Accountants of Ontario
Independent Member Firm of
PORTER HÉTU INTERNATIONAL
Bancroft, Ontario
September 24, 2020**



GEORGINA ARTS COUNCIL
STATEMENT OF OPERATIONS
Year ended December 31, 2019

	2019	2018
Revenues		
Grants	\$ 140,152	\$ 118,649
Classes and camp fees, Schedule 1	35,521	46,509
Fundraising	33,074	5,651
Gallery, Schedule 2	25,256	24,889
Donations	13,327	8,926
Memberships	3,349	3,290
Other revenue	450	380
	251,129	208,294
Cost of sales		
Other wages	30,742	40,783
Executive director	24,048	14,769
Curator wages	17,318	16,653
Office administration wages	5,269	8,625
Materials	908	110
	78,285	80,940
Gross margin	172,844	127,354
Expenditures		
Classes and camp fees, Schedule 1	34,796	44,665
Gallery, Schedule 2	27,969	33,444
Office and general	23,653	17,956
Advertising and promotion	11,206	14,359
Professional fees	9,853	9,033
Repairs and maintenance	8,486	9,053
Insurance	8,136	7,667
Utilities	6,693	8,312
Interest and bank charges	2,967	2,966
Telephone	1,945	2,258
Amortization	1,944	2,362
Interest on long-term debt	843	824
	138,491	152,899
Excess (deficiency) of revenues over expenditures from operations	34,353	(25,545)
Other income		
Donations in-kind	87,200	201,825
Excess of revenues over expenditures	\$ 121,553	\$ 176,280

The accompanying notes are an integral part of these financial statements

GEORGINA ARTS COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2019

	2019		
	Total	General Fund	Capital Fund
Balance, beginning of year	\$ 1,218,220	\$ (91,506)	\$ 1,309,726
Excess of revenues over expenditures	121,553	121,553	-
Art donations	-	(87,200)	87,200
Depreciation of tangible capital assets	-	1,944	(1,944)
Purchase of tangible capital assets	-	(21,311)	21,311
Ontario Trillium grant	-	22,500	(22,500)
Balance, end of year	\$ 1,339,773	\$ (54,020)	\$ 1,393,793
	2018		
	Total	General Fund	Capital Fund
Balance, beginning of year	\$ 1,041,940	\$ (67,579)	\$ 1,109,519
Excess of revenues over expenditures	176,280	176,280	-
Art donations	-	(201,825)	201,825
Depreciation of tangible capital assets	-	2,362	(2,362)
Purchase of tangible capital assets	-	(744)	744
Balance, end of year	\$ 1,218,220	\$ (91,506)	\$ 1,309,726

The accompanying notes are an integral part of these financial statements

GEORGINA ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2019

	2019	2018
ASSETS		
Current		
Cash	\$ 19,605	\$ 9,093
Inventories - note 3	1,639	2,045
GST receivable	1,748	526
	22,992	11,664
Tangible capital assets - note 4	37,289	17,922
Art collection - note 5	1,379,004	1,291,804
	\$ 1,439,285	\$ 1,321,390
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities - note 6	\$ 24,433	\$ 22,270
Unearned revenue - note 7	29,202	29,052
Current portion of loan payable - note 8	6,171	6,080
	59,806	57,402
Loan payable - note 8	39,706	45,768
	99,512	103,170
General fund	(54,020)	(91,506)
Capital fund	1,393,793	1,309,726
	1,339,773	1,218,220
	\$ 1,439,285	\$ 1,321,390

On behalf of the board

Board of Director

Board of Director

GEORGINA ARTS COUNCIL
STATEMENT OF CASH FLOWS
Year ended December 31, 2019

	2019	2018
Operating activities		
Excess of revenues over expenditures	\$ 121,553	\$ 176,280
Adjustment for Amortization	1,944	2,362
	123,497	178,642
Change in non-cash working capital items		
Inventories	406	839
GST receivable	(1,222)	2,181
Accounts payable and accrued liabilities	2,163	3,069
Unearned revenue	150	(8,454)
	124,994	176,277
Financing activity		
Repayment of loan payable	(5,971)	(5,990)
Investing activities		
Purchase of tangible capital assets	(21,311)	(744)
Increase to art collection	(87,200)	(201,825)
	(108,511)	(202,569)
Increase (decrease) in cash	10,512	(32,282)
Cash, beginning of year	9,093	41,375
Cash, end of year	\$ 19,605	\$ 9,093

The accompanying notes are an integral part of these financial statements

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

1. NATURE OF OPERATIONS

Georgina Arts Council (the "organization"), operating as Georgina Arts Centre and Gallery, is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario by letters patent and without share capital on May 4, 1999. As a registered charity, the company is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The objectives for which the corporation was incorporated are:

- (a) promoting interest in arts and crafts;
- (b) establishing and granting prizes, awards and distinctions;
- (c) promoting lectures, classes and seminars in arts and crafts and related activities;
- (d) providing facilities for instruction in arts and crafts;
- (e) developing and fostering community spirit; and
- (f) such other complementary purposes not inconsistent with these objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

The organization follows the restricted fund method of accounting for contributions.

Restricted contributions related to the purchase of tangible capital assets and artwork are recognized in the Capital fund. Restricted contributions for which no appropriate fund exists are deferred and recognized as revenue of the General fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the General fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated material and services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such material and services are not significant.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Inventories included in cost of sales \$2,104 (2018 - \$2,110).

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Fund accounting

The revenues and expenses related to the collection of unrestricted donations and fundraising activities are reported in the general fund. The restricted fund reports amounts for which the use is restricted by the donors and related investment income on the fund balance.

Measurement uncertainty

The preparation of financial statements 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

Cash

Cash consists of balances with financial institutions.

Income taxes

The organization is a non-profit organization under the Income Tax Act and as such is exempt from income taxes.

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Tangible capital assets

Tangible capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building improvements	4%
Furniture and fixtures	20%
Piano	0%
Camera	20%
Computer equipment	45% and 55%
CCTV security	20%
Database	100%

The organization regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital costs.

Tangible capital assets acquired during the year but not available for use are not amortized until they are placed into use.

Amortization is recorded at one half of the above noted rates in the year of acquisition. No amortization is recorded in the year of disposal.

3. INVENTORIES

	2019	2018
Indigenous retail	\$ 343	\$ 1,281
Art supplies	415	395
Classroom supplies	881	369
	\$ 1,639	\$ 2,045

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

4. TANGIBLE CAPITAL ASSETS

			2019	2018
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Building improvements	\$ 93,881	\$ 73,489	\$ 20,392	\$ 5,059
Furniture and fixtures	14,046	7,182	6,864	2,438
Piano	9,200	-	9,200	9,200
Camera	740	628	112	140
Computer equipment	11,136	10,948	188	419
CCTV security	5,511	4,978	533	666
Database	32,030	32,030	-	-
	\$ 166,544	\$ 129,255	\$ 37,289	\$ 17,922

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

5. ART COLLECTION

As artwork is prone to appreciating in value, no depreciation has been taken. Note that artwork has been recorded at its appraised value when donated as a gift-in-kind.

	2019	2018
Purchased art	\$ 356,532	\$ 356,532
Donated art:		
Paintings from Smith and Chiarandini	358,700	358,700
Sky Spirit painting	200,000	200,000
104 stonecut prints and 21 woodcut prints by Stanley Lewis	98,200	98,200
Paintings	46,500	46,500
Stanley Lewis paintings	24,000	24,000
Strength, Nobility and Power painting	23,000	23,000
Mother and Child painting	22,000	22,000
21 photographs by Tom Zsolt	20,450	20,450
Norval Morrisseau paintings	20,000	20,000
Whale Bone carving of Inuk	20,000	-
32 art prints by Tom Zsolt	18,100	18,100
Cycles art collection	18,000	18,000
Paintings	16,252	16,252
Red cedar transformation mask of Sea Eagle	16,000	-
Marcel Bellerive paintings	14,200	14,200
Wolf family totem pole	12,500	12,500
Marcel Bellerive paintings	11,100	11,100
Stanley Lewis paintings	10,000	10,000
Cedar thunderbird mask	9,000	-
Painted cedar portrait of Indian Man	8,500	-
Bronze Maquette for Universal Man Sculpture	8,000	-
Argillite Dogfish Woman frontlet	8,000	-
10 photographs by Tom Zsolt	7,600	7,600
Steatite carving of Raven Looking at the Moon	6,000	-
York Wilson paintings	5,045	5,045
Painted Wood Spirit mask	4,000	-
Kay Murray-Weber collection	3,200	3,200
Sylvia Singer painting	3,000	3,000
Soapstone carving of a Man and Two Seals	2,400	-
Soapstone carving of Shaman Spirit	2,300	-
Soapstone carving of Mother and Child	2,000	-
Viking warrior statue	1,600	1,600
Copper mask	1,400	1,400
Cedar Old Woman portrait mask	1,000	-
Cedar masks	425	425
	\$ 1,379,004	\$ 1,291,804

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	\$ 8,840	\$ 9,131
Accrued liabilities	13,643	10,603
Source deductions	1,950	2,536
	\$ 24,433	\$ 22,270

7. UNEARNED REVENUE

	2019	2018
Town of Georgina	\$ 27,500	\$ 27,500
Other unearned revenue	865	865
Gift certificates	837	687
	\$ 29,202	\$ 29,052

8. LOAN PAYABLE

	2019	2018
Town of Georgina loan, bearing interest at 1.5%, repayable in blended monthly instalments of \$568, due December 2026, secured by specified artwork with a net book value of \$64,600	\$ 45,877	\$ 51,848
Less current portion	6,171	6,080
Due beyond one year	\$ 39,706	\$ 45,768

Estimated principal re-payments:

2020	\$ 6,171
2021	6,264
2022	6,359
2023	6,454
2024	6,552

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

9. FINANCIAL INSTRUMENTS RISKS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2019:

(a) Liquidity risk

Liquidity risk is the risk the organization may not have cash available to satisfy financial liabilities as they come due. Management oversees liquidity risk to ensure the organization has access to enough readily available funds to cover its financial obligations as they become due. The organization manages liquidity risk by continuously monitoring actual daily cash flows and longer term cash forecasted cash flows and monitoring the maturity profiles of financial assets and liabilities. The company is exposed to this risk mainly in respect of its receipts of funds from its customers and other related sources, accounts payable and accrued liabilities and loan payable.

(b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar instruments traded in the market. The company is exposed to other price risk through its artwork collection.

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

10. GRANTS

	2019	2018
Grant revenue included in revenues:		
Town of Georgina	\$ 110,000	\$ 110,000
Ontario Trillium	22,500	-
Magna Hoedown	7,652	8,649
Subtotal of grant revenue	140,152	118,649
Grant revenue included in Classes and Camp Fees:		
Canada Summer Jobs	7,710	15,419
Total grant revenue	\$ 147,862	\$ 134,068

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

11. DONATIONS

	2019	2018
Donations included in grant revenue:		
Artwork	\$ 87,200	\$ 201,825
Monetary	13,327	8,926
Gifts in kind	-	580
	100,527	211,331
Donation included in fundraising revenue:		
Donated items in gala revenue for silent auction	14,386	-
Total donations	\$ 114,913	\$ 211,331

12. SUBSEQUENT EVENTS

For the purpose of the accompanying financial statements, subsequent events have been evaluated with management through September 24, 2020, which is the date these financial statements were available to be issued.

Subsequent to year end, a world-wide pandemic has been announced and both the federal and provincial governments have implemented emergency measures that will negatively impact the national and global economy for an undetermined period. The effect of the pandemic and emergency measures cannot be quantified and no allowances or accruals have been recognized in these financial statements.

Due to the COVID-19 pandemic, the organization has been closed to the public since March 2020. As the gallery operates within a Town of Georgina building, it took direction from the Town in closing down to limit the spread of the disease. Staff have been put on temporary leave and fundraising events are cancelled.

13. ECONOMIC DEPENDENCE

The organization receives 33% (2018 - 27%) of its revenue through a funding agreement with the Town of Georgia. The organization's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement. It is management's opinion that the organization would need to obtain other funding to maintain operations if this source was no longer available.

14. CONTINGENT LIABILITIES

For the purpose of the accompanying financial statements, contingent liabilities have been evaluated with management and there were no contingent liabilities brought to our attention that would have a material impact on these financial statements.

GEORGINA ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

15. CORRESPONDING FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

GEORGINA ARTS COUNCIL
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2019

SCHEDULE OF CLASSES AND CAMP FEES

Schedule 1

	2019	2018
Revenue		
Camps and art classes for children	\$ 16,809	\$ 16,820
Canada Summer Jobs grant	7,710	15,419
Art classes for adults	6,728	6,767
Other programming	4,274	7,503
	35,521	46,509
Expenditures		
Art and camp classes	4,442	8,234
Contract services	27,369	32,589
Other expenses	2,985	3,452
Refunds	-	390
	34,796	44,665
Excess of revenues over expenditures	\$ 725	\$ 1,844

SCHEDULE OF GALLERY

Schedule 2

	2019	2018
Revenue		
Artist commission	\$ 17,212	\$ 17,660
Other revenues	4,605	2,533
Retail	2,848	3,686
Indigenous commission	591	1,010
	25,256	24,889
Expenditures		
Labour costs	17,743	19,470
Artist commissions	7,483	9,282
Other supplies	2,743	3,124
Advertising	-	1,095
Indigenous commissions	-	473
	27,969	33,444
Deficiency of revenues over expenditures	\$ (2,713)	\$ (8,555)