

**HAMILTON ARTS COUNCIL**

**Financial Statements**

**March 31, 2020**

## **Independent Auditors' Report**

To the Directors of Hamilton Arts Council,

We have audited the accompanying financial statements of Hamilton Arts Council (the Entity), which comprise the balance sheet as at March 31, 2020, the statement 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.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Arts Council as at March 31, 2020, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

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

### *Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

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.

Hamilton Ontario

(November 11, 2020)

**DO Chartered Accountant**

*aokunade*


*Licensed Public Accountant*


# HAMILTON ARTS COUNCIL

## Balance Sheet as at March 31, 2020

	2020	2019
<b>ASSETS</b>		
Current:		
Cash	\$ 30,517	\$ 66,827
GST/HST receivable	5,922	7,792
Amount receivable	-	4,115
Prepaid expenses	<u>348</u>	<u>1,474</u>
	36,787	80,208
Capital assets, net (Note 3)	<u>-</u>	<u>802</u>
	<u>36,787</u>	<u>81,010</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	8,297	9,804
Government remittance payable	-	2,627
Deferred revenue (Note 4)	<u>25,000</u>	<u>30,000</u>
	33,297	42,431
<b>NET ASSETS (LIABILITIES)</b>	<u>3,490</u>	<u>38,579</u>
	<u>\$ 36,787</u>	<u>\$ 81,010</u>

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See accompanying Notes to Financial Statements

# HAMILTON ARTS COUNCIL

## Statement of Operations and changes in net assets For the year ended March 31, 2020

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	2020	2019
<b>REVENUES</b>		
Government grant (Note 4)	\$ 165,032	\$ 198,642
Program revenue	15,991	29,500
Sponsorship	11,461	12,277
Membership fees	3,296	4,779
Donation	540	13,870
Ontario Arts Foundation endowment income (Note 5)	2,039	2,063
Other revenues and grants	<u>-</u>	<u>992</u>
	<u><b>198,359</b></u>	<u><b>262,123</b></u>
<b>EXPENSES</b>		
Salaries, wages and benefits	105,054	133,193
Program	85,405	89,407
Professional fee	15,865	13,294
Office and administration	15,181	10,387
Rent (Note 6)	11,141	8,612
Amortization (Note 3)	<u>802</u>	<u>2,082</u>
	<u><b>233,448</b></u>	<u><b>256,975</b></u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u><b>(35,089)</b></u>	<u><b>5148</b></u>
<b>OPENING NET ASSET</b>	38,579	33,431
<b>CLOSING NET ASSET</b>	<u><b>\$ 3,490</b></u>	<u><b>\$ 38,579</b></u>

# HAMILTON ARTS COUNCIL

## Statement of Cash Flows for the year ended March 31, 2020

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	2020	2019
<b>Cash generated (used in)</b>		
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ (35,089)	\$ 5,148
Add (deduct) item not involving cash		
Amortization of capital assets	802	2,082
Amortization of deferred grant for capital assets purchases	-	(1,681)
Impact on cash of changes in working capital items:		
GST/HST receivable/payable	1870	(743)
Amounts receivable	4115	(4,115)
Prepaid expenses and deposits	1126	77
Accounts payable and accrued liabilities	(1507)	6,243
Government remittance payable	(2627)	421
Deferred revenues	<u>(5,000)</u>	<u>5,000</u>
	(2,023)	6,883
<b>Increase (Decrease) in cash</b>	<b>(36,310)</b>	12,432
<b>Cash (Bank Indebtedness) - beginning of year</b>	<u>66827</u>	<u>54,395</u>
<b>Cash (Bank Indebtedness) - end of year</b>	<u>\$ 30,517</u>	<u>\$ 66,827</u>

See accompanying Notes to Financial Statements

# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2020

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### 1. NATURE AND PURPOSE OF THE ORGANIZATION

Hamilton Arts Council (HAC) was incorporated without share capital under the laws of the Province of Ontario as a not-for-profit organization and is registered with Canada Revenue Agency as a charitable organization. It is exempt from income taxes provided that it continues to fulfill the requirements and regulations of the Act in respect to registered charities

Its objective is to strengthen the role of the arts and culture in the city of Hamilton by making arts accessible and relevant to the entire community.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in part III of the CPA Canada handbook and include the following significant policies.

#### Revenue recognition

HAC follows the deferral method of accounting for grants, sponsorship and donations. Unrestricted contributions are recognized as revenues when received or receivable, provided that contributions receivable can be reasonably estimated and collection is reasonably assured. Restricted contributions, including grants, are recognized as revenues in the year in which the related activities are carried out and expenses are incurred.

Contributions received for the purchase of capital assets with a finite life are initially deferred and then amortized as revenues on the same basis as the related capital assets are amortized.

Membership fees are recorded as revenues when received

Program revenue, consultation and research are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Capital assets

Purchased capital assets are recorded at cost. Amortization is provided annually at rates determined to charge the cost of the assets to operations over their estimated useful lives as follows:

Computer equipment	3 years straight line basis
Office equipment	3 years straight line basis

Amortization is half in the year of purchase.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not for profit requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and adjustments are made to revenues and expenses as appropriate in the period they become known.

# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES ( *Contd* )

#### Financial instruments

HAC initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The carrying value of HAC's financial instruments approximates their fair value due to the relatively short term to maturity of those instruments. It is management's opinion that HAC is not exposed to significant liquidity risk, interest rate or credit risk arising from these financial instruments.

#### Contributed services

HAC would not be able to carry out its activities without the services of many volunteers who contribute a considerable amount of their time and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

### 3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value March 31 2020	Net Book Value March 31 2019
Office equipment	\$ 2,407	\$ (2,407)	\$ -	\$ 802
Computer equipment	10,084	(10,084)	-	-
	<u>\$ 12,491</u>	<u>\$ (12,491)</u>	<u>\$ -</u>	<u>\$ 802</u>



# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2020

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### 4. GOVERNMENT GRANTS REVENUES AND DEFERRED GRANTS

Revenues from government grants recognized in the year are as follows

	2020	2019
Canada council: <i>Project grant</i>	\$ -	\$ 5,000
Employment and Social Development:		
Canada Job Grant	3,658	3,741
Work in Culture Grant	-	11,850
Ontario Arts Council		
<i>Operating grant</i>	8,574	9,320
<i>Project grant</i>	10,000	15,000
Ministry of Citizenship and Immigration	-	-
Ontario Trillium Foundation: <i>Project grant</i>	75,100	85,081
City of Hamilton		
<i>Operating grant</i>	42,700	43,650
<i>Project grant</i>	<u>25,000</u>	<u>25,000</u>
	<u>\$ 165,032</u>	<u>\$ 198,642</u>

Deferred revenues at March 31 are as follows:

	2020	2019
<i>For operations and projects:</i>		
City of Hamilton	\$ 25,000	\$ 25,000
Sponsorship: <i>Hamilton Arts Week</i>	<u>-</u>	<u>5000</u>
	<u>\$ 25,000</u>	<u>\$ 30,000</u>

### 5. ONTARIO ARTS FOUNDATION ENDOWMENT FUND

The Ontario Arts Foundation (“OAF”) operates an Ontario Arts Endowment Fund Program in which it holds and has supplemented contributions made to arts organizations for endowment purposes. The Hamilton Arts Council Arts Endowment Fund is an external endowment fund, the assets of which are controlled and managed by OAF in accordance with its investment and income distribution policies. Accordingly, assets of these funds are not reflected in these financial statements.

Income of \$2,039 from the endowment was received by The Hamilton Arts Council in 2020 (2019 - \$ 2,063). As at March 31, 2020, the market value of the Hamilton Arts Council Arts Endowment Fund was \$ 38,271

# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

**March 31, 2020**

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### **6. PREMISES LEASE COMMITMENT**

HAC is committed under an operating lease agreement to January 31, 2022 for premises, requiring annual payments of approximately \$10,000.

### **7. SUBSEQUENT EVENT**

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

HAC has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences,

HAC moved to working remotely, under the direction of the Provincial Government to increase social distancing. Due to this and consistent direction of both Federal and Provincial Governments, HAC proceeded to cancel all major events which will significantly diminish revenue sources from programming and sponsorships.