



Financial Statements

Hamilton Arts Council

March 31, 2015

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## Independent Auditor's Report

**Grant Thornton LLP**  
33 Main Street East  
Hamilton, ON  
L8N 4K5

T +1 905 523 7732  
F +1 905 572 9333  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Directors of  
Hamilton Arts Council

We have audited the accompanying financial statements of Hamilton Arts Council, which comprise the statement of financial position as at March 31, 2015, 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 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.

### *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 from 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 organization'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 organization'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.

## Independent Auditor's Report (continued)

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

### *Basis for qualified opinion*

In common with many charitable organizations, Hamilton Arts Council derives revenue from donations and fundraising events, 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 revenue, excess of revenue over expenses, assets and net assets.

### *Qualified Opinion*

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 Hamilton Arts Council as at March 31, 2015 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.

### *Emphasis of Matter*

We draw attention to Note 2 to the financial statements which describes the ability of the organization to continue as a going concern. Our opinion was not qualified in respect of this matter.

*Grant Thornton LLP*

Hamilton, Canada  
June 25, 2015

Chartered Accountants  
Licensed Public Accountants

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## Hamilton Arts Council

### Statements of Operations and Changes in Net Assets

Year ended March 31	2015	2014
<b>Revenues</b>		
Project grants (Note 7)	\$ 63,432	\$ 41,621
Operating grants (Note 7)	38,435	35,751
Sponsorships	27,488	7,896
Consultation and research	12,452	13,193
Other revenue and grants	5,093	887
Membership fees	3,945	6,270
Donations	3,823	1,697
Nevada	1,790	2,239
Program revenue	<u>196</u>	<u>5,669</u>
	<b><u>156,654</u></b>	<b><u>115,223</u></b>
<b>Expenses</b>		
Salaries, wages and benefits	92,901	70,223
Program	24,265	27,248
Office and administration	6,622	7,750
Rent	6,600	6,601
Professional fees	6,479	6,699
Telephone and utilities	1,919	1,933
Nevada	865	1,331
Memberships	445	445
Interest and bank charges	<u>93</u>	<u>1,180</u>
	<b><u>140,189</u></b>	<b><u>123,410</u></b>
Excess (deficiency) of revenues over expenses before other income	16,465	(8,187)
<b>Other income</b>		
Net bingo receipts	<u>-</u>	<u>8,679</u>
Excess of revenues over expenses	<b><u>\$ 16,465</u></b>	<b><u>\$ 492</u></b>
<hr/>		
Director deficiency, beginning of year	\$ (31,587)	\$ (32,079)
Excess of revenues over expenses	<u>16,465</u>	<u>492</u>
Director deficiency, end of year	<b><u>\$ (15,122)</u></b>	<b><u>\$ (31,587)</u></b>

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## Hamilton Arts Council Statement of Cash Flows

Year ended March 31	2015	2014
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess of revenues over expenses	\$ 16,465	\$ 492
Change in non-cash working capital items		
Accounts receivable	1,506	(296)
Prepaid expenses and deposits	-	1,831
Accounts payable and accrued liabilities	(9,032)	3,813
Deferred revenue	<u>30,112</u>	<u>(33,028)</u>
	<b>39,051</b>	(27,188)
<b>Financing</b>		
Bank indebtedness	<u>(17,884)</u>	<u>17,884</u>
Increase (decrease) in cash	<b>21,167</b>	(9,304)
Cash		
Beginning of year	<u>-</u>	<u>9,304</u>
End of year	<u><b>\$ 21,167</b></u>	<u><b>\$ -</b></u>

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# Hamilton Arts Council

## Notes to the Financial Statements

March 31, 2015

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### 1. Nature of operations

Hamilton Arts Council (the organization) is a not-for-profit organization dedicated to strengthening the role of the arts and culture in the City of Hamilton by making arts accessible and relevant to the entire community. The organization is incorporated without share capital under the laws of Ontario, is a registered charity under the Income Tax Act and is exempt from income tax.

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### 2. Going concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at March 31, 2015, the organization has a deficiency in net assets of \$15,122 (2014 - \$31,587). The organization's ability to continue as a going concern is dependent on its ability to reduce its deficit, to attain profitable operations and to generate funds to meet current and future obligations. The organization's funding for the 2016 fiscal year has been approved, new fundraising and membership strategies have been implemented and cash flows are being monitored regularly to mitigate the going concern risk.

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### 3. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### 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 when the amount to be received can be reasonably estimated and collection is reasonably assured.

All other revenues and expenses are recorded on the accrual basis, except for donations and fundraising events which are recorded as received.

In accordance with the terms of certain projects, any surplus remaining upon completion of a project may be required to be repaid to the donor. Otherwise, any excess or deficiency of funds is reflected in the statement of financial activities in the year in which the project is completed.

#### Property and equipment

Property and equipment are expensed as incurred. Property and equipment of \$nil (2014 - \$nil) have been expensed in the year.

#### Intangible assets

Intangible asset development expenditures are expensed as incurred. Website development costs of \$nil (2014 - \$14,099) have been expensed in the year.

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# Hamilton Arts Council

## Notes to the Financial Statements

March 31, 2015

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### 3. Significant accounting policies (continued)

#### Financial instruments

##### Measurement

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures its financial assets and financial liabilities at amortized cost.

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

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

#### Donated services and gifts in-kind

The work of Hamilton Arts Council is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the organization and because of the difficulty of determining their fair value, donated services are not recognized in these statements. Likewise, gifts in-kind are not reflected in these financial statements.

#### Management estimates

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 amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items subject to significant management estimates include estimated accrued liabilities.

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# Hamilton Arts Council

## Notes to the Financial Statements

March 31, 2015

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#### 4. Net bingo receipts

Bingo operations are conducted under license from the City of Hamilton. Under the terms of the licensing agreement the funds cannot be used for general operations but only for direct expenses of charitable programs. Since the organization is not acting as a principal in these transactions, the net bingo receipts have been reported in the financial statements. Effective January 1, 2014, the organization has stopped the bingo operations.

	<u>2015</u>	<u>2014</u>
Gross receipts	\$ -	\$ 15,279
Licenses	<u>-</u>	<u>(6,600)</u>
	<u>\$ -</u>	<u>\$ 8,679</u>

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#### 5. Credit facilities

The organization's credit facility includes a line of credit in the amount of \$20,000 bearing interest at prime plus 4.5%, of which \$nil (2014 - \$17,820) was utilized at year end. This facility is secured by a general security agreement.

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#### 6. Government remittances

The organization has harmonized sales tax receivable of \$3,000 at March 31, 2015 (2014 - \$3,000) which is included in accounts receivable.

Included in accounts payable and accrued liabilities are government remittances payable of \$1,600 (2014 - \$1,100).

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# Hamilton Arts Council

## Notes to the Financial Statements

March 31, 2015

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### 7. Deferred revenue

	Deferred revenue as at March 31, 2014	Amounts received in the year	Amounts expended and recognized in the year	Deferred revenue as at March 31, 2015
City of Hamilton	\$ -	\$ 28,111	\$ (28,111)	\$ -
Ontario Arts Council	-	7,640	(7,640)	-
Ecofilm Designated Donations	<u>976</u>	<u>-</u>	<u>-</u>	<u>976</u>
	<u>976</u>	<u>35,751</u>	<u>(35,751)</u>	<u>976</u>
OAC Endowment	-	1,833	(1,833)	-
City of Hamilton	-	30,000	(30,000)	-
Canada Council Lit Live	720	5,300	(3,985)	2,035
Ontario Cultural Development Grant	-	50,595	(22,614)	27,981
Ontario Arts Council	950	3,500	(2,684)	1,766
Hamilton Community Foundation	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
	<u>1,670</u>	<u>96,228</u>	<u>(66,116)</u>	<u>31,782</u>
	<u>\$ 2,646</u>	<u>\$ 131,979</u>	<u>\$ (101,867)</u>	<u>\$ 32,758</u>

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### 8. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organizations risk exposure and concentrations at March 31, 2015.

#### Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and bank indebtedness. There was no significant change in exposure from the prior year.

#### Interest rate risk

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 on its line of credit, which bears interest at a floating rate. There was no significant change in exposure from the prior year.

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