

**HAMILTON ARTS COUNCIL**

**Financial Statements**

**March 31, 2016**

## **Independent Auditors' Report**

To the Directors of Hamilton Arts Council,

We have audited the accompanying financial statements of Hamilton Arts Council, which comprise the balance sheet as at March 31, 2016, 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.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 entity'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 entity'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.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Arts Council as at March 31, 2016, 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.

### *Other Matters*

The financial statements for the year ended March 31, 2015 were reported on by another auditor who expressed a qualified opinion on June 25, 2015 in respect to the completeness of donations and fundraising events.

***DO Chartered Accountant***

Hamilton Ontario



(June 21, 2016)

*Licensed Public Accountant*

**HAMILTON ARTS COUNCIL**

**Balance Sheet as at March 31, 2016**

	2016	2015
<b>ASSETS</b>		
Current:		
Cash	\$ -	21,167
GST/HST receivable	-	3,000
Amount receivable	16,865	363
Prepaid expenses	<u>1,466</u>	<u>1,978</u>
	<b>18,331</b>	26,508
Capital assets, net (Note 3)	<u>10,409</u>	-
	<u><b>\$ 28,740</b></u>	<u>26,508</u>
 <b>LIABILITIES</b>		
Current:		
Bank indebtedness	5,162	-
GST/HST payable	2,555	-
Accounts payable and accrued liabilities	7,761	7,272
Government remittance payable	1,335	1,600
Deferred revenue (Note 4)	<u>9,930</u>	<u>32,758</u>
	<b>26,743</b>	41,630
Deferred revenue for capital assets purchases (Note 4)	<u>8,403</u>	-
	<b>35,146</b>	41,630
<b>NET ASSETS (LIABILITIES)</b>	<u><b>(6,406)</b></u>	<u>(15,122)</u>
	<u><b>\$ 28,740</b></u>	<u>26,508</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, 2016

---

	2016	2015
<b>REVENUES</b>		
Government grant (Note 4)	\$ 132,261	\$ 97,219
Sponsorship	34,796	32,488
Consultation and research	11,725	12,452
Membership fees	5,838	3,945
Donation	3,530	3,048
Ontario Arts Foundation endowment income (Note 5)	1,940	1,833
Other revenues and grants	1,743	3,683
Nevada	748	1,790
Program revenue	<u>389</u>	<u>196</u>
	<b><u>\$ 192,970</u></b>	<b><u>\$ 156,654</u></b>
<b>EXPENSES</b>		
Salaries, wages and benefits	93,390	92,901
Program	59,931	24,265
Professional fee	13,449	6,479
Rent	6,600	6,600
Office and administration	6,286	6,622
Amortization (Note 3)	2,082	-
Telephone and utilities	1,819	1,919
Memberships	437	445
Nevada	260	865
Interest and bank charges	<u>-</u>	<u>93</u>
	<b><u>184,254</u></b>	<b><u>140,189</u></b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b><u>\$ 8,716</u></b>	<b><u>\$ 16,465</u></b>
<b>OPENING NET ASSET</b>	<b>(15,122)</b>	<b>(31,587)</b>
<b>CLOSING NET ASSET</b>	<b><u>\$ (6,406)</u></b>	<b><u>\$ (15,122)</u></b>

See accompanying Notes to Financial Statements

# HAMILTON ARTS COUNCIL

## Statement of Cash Flows for the year ended March 31, 2016

---

	2016	2015
<b>Cash generated (used in)</b>		
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 8,716	\$ 16,465
Add (deduct) item not involving cash		
Amortization of capital assets	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	5,555	-
Amounts receivable	(16,502)	1,506
Prepaid expenses and deposits	512	-
Accounts payable and accrued liabilities	489	(9,032)
Government remittance payable	(265)	-
Deferred revenues	<u>(22,828)</u>	<u>30,112</u>
	(23,922)	39,051
<b>INVESTING ACTIVITIES:</b>		
Purchase of capital assets	(12,491)	-
Capital asset contribution received	<u>10,084</u>	<u>-</u>
	(2,407)	-
<b>Increase (Decrease) in cash</b>	(26,329)	39,051
<b>Cash (Bank Indebtedness) - beginning of year</b>	<u>21,167</u>	<u>(17,884)</u>
<b>Cash (Bank Indebtedness) - end of year</b>	<u><u>(5,162)</u></u>	<u><u>21,167</u></u>

See accompanying Notes to Financial Statements

# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2016

---

### 1. NATURE AND PURPOSE OF THE ORGANIZATION

Hamilton Arts Council (HAC) was incorporated without share capital under the laws of the Province of Ontario and is registered with Canada Revenue Agency as a charitable organization

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.

#### 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, 2016

---

### 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.

Bank indebtedness at March 31, 2016 consist of cheque issued but not yet cleared the bank account as at that date. HAC has a line of credit in the amount of \$20,000 bearing interest at 9% of which \$1,600 (2015- \$nil) was utilized at year end. The facility is secured by a general security agreement

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.

#### Comparative information

Certain comparative figures for the year ended March 31, 2016 have been reclassified to conform to the financial statement presentation adopted in current year.

### 3. CAPITAL ASSETS

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value March 31 2016</b>	<b>Net Book Value March 31 2015</b>
Office equipment	\$ 2,407	\$ (401)	\$ 2,006	\$ -
Computer equipment	10,084	(1,681)	<b>8,403</b>	-
	<b>\$ 12,491</b>	<b>\$ (2,082)</b>	<b>\$ 10,409</b>	<b>\$ -</b>

# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2016

---

### 4. GOVERNMENT GRANTS REVENUES AND DEFERRED GRANTS

Revenues from government grants recognized in the year are as follows

	2016	2015
Canada council: <i>Project grant</i>	\$ 5,635	\$ 3,985
Employment and Social Development Canada Job Grant	2,193	2,185
Ontario Arts Council		
<i>Operating grant</i>	7,640	7,640
<i>Project grant</i>	5,266	2,684
Ministry of Tourism, Culture and Sport: <i>Project grant</i>	44,846	22,614
City of Hamilton		
<i>Operating grant</i>	35,000	28,111
<i>Project grant (website)</i>	30,000	30,000
Amortization of capital grant for capital assets	<u>1,681</u>	<u>-</u>
	<u>\$ 132,261</u>	<u>\$ 97,219</u>

Deferred revenues at March 31 are as follows:

	2016	2015
<i>For operations and projects:</i>		
Canada council	\$ -	\$ 2,035
Ministry of Tourism, Culture and Sport	-	27,982
Ontario Arts Council	8,000	1,766
Ontario Trillium Foundation project grant	<u>1,016</u>	<u>-</u>
	9,016	31,783
Eco film Designated Donations	-	975
Incite Foundation for the Arts	<u>914</u>	<u>-</u>
	<u>\$ 9,930</u>	<u>\$ 32,758</u>
<i>For capital asset purchases: Computer equipment</i>	<u>\$ 8,403</u>	<u>\$ -</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 \$1,940 from the endowment was received by The Hamilton Arts Council in 2016 (2015 - \$ 1,833). As at March 31, 2016, the market value of the Hamilton Arts Council Arts Endowment Fund was \$ 42,392.



# HAMILTON ARTS COUNCIL

## Notes to Financial Statements

March 31, 2016

---

### 6. CAPITAL MANAGEMENT

In managing capital, HAC focuses on liquid resources available for operations. HACs' objective is to have sufficient liquid resources to continue operation despite adverse financial events and to provide it with the flexibility to take advantage of opportunities to advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

At March 31, 2016, HACs' capital position is an accumulated deficit of \$6,406. This deficiency has been financed by management of its working capital.

The ability of HAC to operate as a going concern on a long-term basis and to meet its objective of having sufficient liquid resources to meet its current obligations is dependent on maintaining and securing sufficient sources of funds, generating operating surpluses and maintaining credit facilities.

As at March 31, 2016 HAC has met its objective of having sufficient liquid resources to meet its current obligations.