

HAMILTON ARTS COUNCIL

Financial Statements

March 31, 2021

Independent Auditors' Report

To the Directors of Hamilton Arts Council,

We have audited the accompanying financial statements of Hamilton Arts Council (HAC), which comprise the balance sheet as at March 31, 2021, 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.

Qualified Opinion

In our opinion, except for the effects of 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 HAC as at March 31, 2021, 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 Qualified Opinion

In common with many not-for-profits organizations, HAC derives revenue from donations. The completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this amount was limited to the amount recorded in the organization's accounting records and we were not able to determine whether any adjustments might be necessary to the donations.

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 HAC 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 HAC'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 HAC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing HAC'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

(October 13, 2021)

DO Chartered Accountant

aokunade

Licensed Public Accountant

HAMILTON ARTS COUNCIL

Balance Sheet as at March 31, 2021

	2021	2020
ASSETS		
Current:		
Cash	\$ 41,450	\$ 30,517
Harmonized sales tax recoverable	2,031	5,922
Amount receivable	18,595	-
Prepaid expenses	-	348
	<u>62,076</u>	<u>36,787</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	7,555	8,297
Notes payable (Notes 5)	7,771	-
Deferred revenue (Note 3)	<u>25,000</u>	<u>25,000</u>
	40,326	33,297
NET ASSETS (LIABILITIES)	<u>21,750</u>	<u>3,490</u>
	<u>\$ 62,076</u>	<u>\$ 36,787</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, 2021

	2021	2020
REVENUES		
Government grant (Note 3)	\$ 152,409	\$ 165,032
Sponsorship	25,805	11,461
Program revenue	22,520	15,991
Donation	17,894	540
Ontario Arts Foundation endowment income (Note 4)	3,352	2,039
Other revenues and grants	207	-
Membership fees	-	3,296
	<u>222,187</u>	<u>198,359</u>
EXPENSES		
Salaries, wages and benefits	97,616	105,054
Program	75,700	85,405
Professional fee	12,967	15,865
Office and administration	9,528	15,181
Rent	8,116	11,141
Amortization	-	802
	<u>203,927</u>	<u>233,448</u>
EXCESS OF REVENUES OVER EXPENSES	18,260	(35,089)
OPENING NET ASSET	<u>3,490</u>	<u>38,579</u>
CLOSING NET ASSET	<u>\$ 21,750</u>	<u>\$ 3,490</u>

HAMILTON ARTS COUNCIL

Statement of Cash Flows for the year ended March 31, 2021

	2021	2020
Cash generated (used in)		
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 18,260	\$ (35,089)
Add (deduct) item not involving cash		
Amortization of capital assets	-	802
Impact on cash of changes in working capital items:		
Harmonized sales tax recoverable	3,891	1,870
Amounts receivable	(18,595)	4,115
Prepaid expenses and deposits	348	1,126
Accounts payable and accrued liabilities	(742)	(1,507)
Government remittance payable	-	(2,627)
Notes payable	7,771	
Deferred revenues	-	(5,000)
	<u>(10,933)</u>	<u>(36,310)</u>
Increase (Decrease) in cash	10,933	(36,310)
Cash (Bank Indebtedness) - beginning of year	<u>30,517</u>	<u>66,827</u>
Cash (Bank Indebtedness) - end of year	<u>\$ 41,450</u>	<u>\$ 30,517</u>

See accompanying Notes to Financial Statements

HAMILTON ARTS COUNCIL

Notes to Financial Statements

March 31, 2021

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, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. GOVERNMENT GRANTS REVENUES AND DEFERRED GRANTS

Revenues from government grants recognized in the year are as follows

	2021	2020
Canada Council for the Arts Ministry Of Heritage, Sport, Tourism and Culture Industries - Canada Summer Job grant	\$ 5,000 3,658	\$ - 3,658
Canada Emergency Rent Subsidy	2,367	
Canada Emergency Wage Subsidy	51,610	
Ontario Arts Council:		
<i>Operating grant</i>	8,574	8,574
<i>Project grant</i>	-	10,000
Ontario Trillium Foundation: <i>Project grant</i>	7,900	75,100
City of Hamilton:		
<i>Operating grant</i>	48,300	42,700
<i>Project grant</i>	25,000	25,000
	<hr/>	<hr/>
	\$ 152,409	\$ 165,032

HAMILTON ARTS COUNCIL

Notes to Financial Statements

March 31, 2021

3. GOVERNMENT GRANTS REVENUES AND DEFERRED GRANTS (Cont'd)

Deferred revenues at March 31 are as follows:

	2021	2020
<i>For operations and projects:</i>		
City of Hamilton	\$ 25,000	\$ 25,000
	<u>\$ 25,000</u>	<u>\$ 25,000</u>

4. 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 \$3,352 from the endowment was received by The Hamilton Arts Council in 2021 (2020 - \$ 2,039). As at March 31, 2021, the market value of the Hamilton Arts Council Arts Endowment Fund was \$ 47,897.

5. BANK LINE OF CREDIT

HAC has a revolving Line of Credit of \$20,000 from a Canadian Credit Union bearing interest at a rate of 9% with a payable of \$7,771 as at March 31, 2021.

6. 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, 2021 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,