

SCARBOROUGH ARTS

Financial Statements

June 30, 2017

SCARBOROUGH ARTS
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Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Scarborough Arts

We have audited the accompanying financial statements of Scarborough Arts, which comprise the statement of financial position as at June 30, 2017 and the statements of operations and changes in operating 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 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 a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scarborough Arts as at June 30, 2017 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 21, 2017

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

SCARBOROUGH ARTS
Statement of Financial Position
June 30, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 372,887	\$ 101,304
Short-term investments <i>(Notes 3 and 10)</i>	31,174	30,998
Accounts receivable	2,603	7,074
Harmonized sales tax recoverable	6,101	5,574
Prepaid expenses	62	3,064
	412,827	148,014
GUARANTEED INVESTMENT CERTIFICATES - ENDOWMENT FUNDS <i>(Notes 3 and 6)</i>	29,587	29,587
CAPITAL ASSETS <i>(Note 4)</i>	2,237	1,309
	\$ 444,651	\$ 178,910
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 17,475	\$ 15,325
Deferred revenues <i>(Note 5)</i>	329,784	73,999
	347,259	89,324
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES <i>(Note 5)</i>	308	924
	347,567	90,248
NET ASSETS		
ENDOWMENT FUNDS <i>(Note 6)</i>	29,587	29,587
OPERATING NET ASSETS <i>(Note 10)</i>	67,497	59,075
	97,084	88,662
	\$ 444,651	\$ 178,910

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See the accompanying notes to these financial statements

SCARBOROUGH ARTS
Statement of Operations and Changes in Operating Net Assets
Year Ended June 30, 2017

	2017	2016
REVENUES		
Government grants <i>(Note 7)</i>	\$ 314,088	\$ 332,895
Fundraising activities	47,759	50,127
Other project grants	23,616	21,616
Partnerships	14,041	-
Sponsorships	13,500	10,600
Donations	8,859	27,452
Membership and registration fees	7,146	5,399
Ontario Arts Endowment fund <i>(Note 9)</i>	4,083	3,584
Interest and other earned revenues	3,243	4,971
Art sales and Gallery rental	2,877	4,036
	<u>439,212</u>	<u>460,680</u>
EXPENSES		
Programs (see Schedule)	250,620	297,481
Administration (see Schedule)	180,170	135,579
	<u>430,790</u>	<u>433,060</u>
EXCESS OF REVENUES OVER EXPENSES	8,422	27,620
OPERATING NET ASSETS - BEGINNING OF YEAR	59,075	31,455
OPERATING NET ASSETS - END OF YEAR	\$ 67,497	\$ 59,075

See the accompanying notes to these financial statements

SCARBOROUGH ARTS
Schedule of Expenses
Year Ended June 30, 2017

	2017	2016
PROGRAMS		
Salaries, benefits and fees	\$ 106,757	\$ 172,586
Programs and events	123,789	118,354
Fundraising	7,200	2,746
Marketing	6,833	-
Annual general meeting, board and volunteers	2,947	282
Gallery	1,594	2,713
Awards and grants	1,500	800
	<u>\$ 250,620</u>	<u>\$ 297,481</u>
ADMINISTRATION		
Salaries and benefits	\$ 120,933	\$ 81,062
Office and general	19,027	14,100
Occupancy costs <i>(Note 8)</i>	12,612	13,487
Bookkeeping	7,548	7,928
Telephone	7,405	6,213
Insurance	6,735	7,109
Audit	4,677	4,677
Amortization of capital assets	1,233	1,003
	<u>\$ 180,170</u>	<u>\$ 135,579</u>

See the accompanying notes to these financial statements

SCARBOROUGH ARTS
Statement of Cash Flows
Year Ended June 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 8,422	\$ 27,620
Items not affecting cash:		
Amortization of capital assets	1,233	1,003
Amortization of deferred contributions for capital asset purchases	(616)	(616)
	<u>9,039</u>	<u>28,007</u>
Impact on cash of changes in non-cash operating working capital items:		
Accounts receivable	4,471	(269)
Harmonized sales tax recoverable	(527)	2,872
Prepaid expenses	3,002	(2,324)
Accounts payable and accrued liabilities	2,150	1,631
Deferred revenues	255,785	(273,620)
	<u>264,881</u>	<u>(271,710)</u>
Cash flows from (used by) operating activities	<u>273,920</u>	<u>(243,703)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,161)	-
Purchase of short-term investments	(176)	(139)
Cash flows used by investing activities	<u>(2,337)</u>	<u>(139)</u>
INCREASE (DECREASE) IN CASH FLOWS	271,583	(243,842)
CASH - BEGINNING OF YEAR	<u>101,304</u>	<u>345,146</u>
CASH - END OF YEAR	<u>\$ 372,887</u>	<u>\$ 101,304</u>

See the accompanying notes to these financial statements

SCARBOROUGH ARTS
Notes to Financial Statements
Year Ended June 30, 2017

1. ORGANIZATION AND OPERATIONS

Scarborough Arts was incorporated as Scarborough Arts Council in 1979 under the laws of the Province of Ontario as a non-share-capital corporation. Under Supplementary Letters Patent dated November 19, 2010, the name was changed to Scarborough Arts. The organization is dedicated to supporting and promoting the arts in the community of Scarborough.

Scarborough Arts is registered as a charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes, provided certain disbursement and other requirements are met.

2. SUMMARY OF 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 accounting policies.

Revenue recognition

Scarborough Arts follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Membership and registration fees are recognized as revenues when received.

Partnerships, sponsorships, art sales, Gallery rental and other earned revenues are recognized upon completion of sale or performance.

Financial instruments

Scarborough Arts 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, short-term investments, accounts receivable and guaranteed investment certificates – endowment funds. The financial liabilities subsequently measured at amortized cost include accounts payable.

Capital assets

Expenditures on capital assets are initially capitalized and then amortized on a straight-line basis over the estimated useful lives of 3 years for computer equipment and 5 years for office equipment. Amortization in the year of acquisition is calculated at one half of the normal annual rate.

Grants received for capital asset purchases are initially deferred and then amortized as revenues on the same basis as the related expenditures are amortized.

Salaries and benefits

Salaries and benefits are classified as programs or administration costs in the schedule of expenses based on time devoted by staff to these activities.

(continues)

SCARBOROUGH ARTS
Notes to Financial Statements
Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Donated services

Many individuals donate services in the administration of Scarborough Arts and the implementation of its programs. Since these services are not normally purchased by Scarborough Arts, such donated services are not recognized in the accounts.

3. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and deposits held in accounts at a major Canadian bank. Cash balances are sufficient to meet accounts payable and other financial liabilities as they come due.

Short-term investments consist of guaranteed investment certificates (“GICs”) with maturity dates ranging from October 30, 2017 to May 23, 2018 and bear interest at rates ranging from 0.45% to 0.50% per annum. These GICs support the balance in the internally restricted reserve fund (*Note 10*).

GICs classified as non-current have maturity dates ranging from December 14, 2017 to July 24, 2019 and bear interest at rates ranging from 0.45% to 0.65% per annum. These GICs support the balance in the Endowment funds (*Note 6*).

Accounts receivable are regularly monitored to minimize and mitigate the credit risk of uncollected amounts.

The fair value of the organization’s financial instruments approximates their carrying value due to the imminent or short term to maturity of those financial instruments. It is management’s opinion that Scarborough Arts is not exposed to significant interest rate, credit or liquidity risk arising from its financial instruments.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 6,317	\$ 4,388	\$ 1,929	\$ 385
Office equipment	3,080	2,772	308	924
	\$ 9,397	\$ 7,160	\$ 2,237	\$ 1,309

SCARBOROUGH ARTS
Notes to Financial Statements
Year Ended June 30, 2017

5. DEFERRED REVENUES AND DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

Deferred revenues and deferred contributions for capital asset purchases consist of:

	2017	2016
Deferred revenues		
Government grants	\$ 297,930	\$ 21,164
Proceeds from bingo operations	25,355	49,996
Partnerships	6,499	-
Sponsorships	-	1,500
Membership fees and registration fees	-	1,339
	329,784	73,999
Deferred contributions for capital asset purchases	308	924
	\$ 330,092	\$ 74,923

6. ENDOWMENT FUNDS

Endowment funds consist of:

	2017	2016
Nikita Marner Scholarship	\$ 10,000	\$ 10,000
Eugenie Shehirian Endowment	6,000	6,000
Jack Poots Endowment	5,000	5,000
Karin Eaton Endowment	3,537	3,537
Scarborough Writers' Endowment	3,050	3,050
Monica Ladell Endowment	2,000	2,000
	\$ 29,587	\$ 29,587

The Nikita Marner Scholarship Fund was established by friends of the late Nikita Marner to provide an annual scholarship for fine arts students in Scarborough.

The Jack Poots Endowment Fund was received in honour of Jack Poots, a former Senior Commissioner of the former City of Scarborough, to provide investment income to fund general arts programs.

The Eugenie Shehirian Endowment Fund was established in 2010 to provide for the creation of a new award to support young writers.

The Karin Eaton Endowment Fund was established in honour of Karin Eaton, a former Executive Director, President and long-time volunteer of Scarborough Arts, to provide investment income for operations.

The Monica Ladell Endowment Fund was established by the family of the late Monica Ladell and is used to provide an annual Monica Ladell Poetry and Prose Award.

The Scarborough Writers' Endowment Fund was established by Eugenie Shehirian in 2013 to support young writers.

Endowment fund balances are supported by GICs (*Note 3*).

Interest earned on GICs is available for operations.

SCARBOROUGH ARTS
Notes to Financial Statements
Year Ended June 30, 2017

7. GOVERNMENT GRANTS REVENUES

Government grants revenues consist of:

	2017	2016
Department of Canadian Heritage	\$ 1,373	\$ 9,895
Ontario Trillium Foundation - Project grants	19,256	91,574
Ontario Arts Council - Operating grant	19,000	19,000
City of Toronto		
Operating grant	269,000	209,001
Project grants	1,397	-
Federal employment grants	4,062	3,425
	\$ 314,088	\$ 332,895

8. SUPPORT FROM THE CITY OF TORONTO

Scarborough Arts occupies the premises at 1859 Kingston Road, Toronto, Canada, which are owned by the City of Toronto. Scarborough Arts pays a nominal annual rent of \$2 and is responsible for utilities, insurance and minor repairs and maintenance costs of the premises. The operating lease agreement expired on March 31, 2016. The renewal of the lease is under negotiation at year-end.

9. 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 Scarborough Arts Council 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 this fund are not reflected in these financial statements.

Income of \$4,083 from the endowment was received by Scarborough Arts during the year ended June 30, 2017 (2016 - \$3,584).

The market value of the Scarborough Arts Council Endowment Fund at June 30, 2017 was \$83,138 (2016 - \$80,494).

10. INTERNALLY RESTRICTED OPERATING NET ASSETS

In 2013, the Board of Directors established an internally restricted reserve fund to fund unanticipated needs.

The balance of the reserve fund at June 30, 2017 of \$30,000 (2016 - \$30,000) is supported by short-term investments (*Note 3*).

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.