

YORK REGION ARTS COUNCIL

Financial Statements

December 31, 2020

YORK REGION ARTS COUNCIL

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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of York Region Arts Council

Opinion

We have audited the financial statements of York Region Arts Council (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, 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.

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

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

(continues)

Independent Auditor's Report to the Members of York Region Arts Council *(continued)*

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 Organization'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 Organization'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 Organization 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
April 7, 2021

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

YORK REGION ARTS COUNCIL

Statement of Financial Position

As at December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 213,133	\$ 112,851
Accounts receivable	5,921	5,350
Harmonized Sales Tax recoverable	2,374	4,049
Prepaid expenses	3,434	-
	<u>\$ 224,862</u>	<u>\$ 122,250</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 24,398	\$ 10,827
Government remittances payable	3,396	4,714
Deferred revenues (Note 3)	121,562	72,794
	<u>149,356</u>	88,335
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 5)	<u>40,000</u>	-
	<u>189,356</u>	88,335
NET ASSETS		
UNRESTRICTED	<u>35,506</u>	33,915
	<u>\$ 224,862</u>	<u>\$ 122,250</u>

APPROVED ON BEHALF OF THE BOARD



Steve Lusk
Director

See the accompanying notes to these financial statements

YORK REGION ARTS COUNCIL
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2020

	2020	2019
REVENUES		
Grants <i>(Note 4)</i>	\$ 215,588	\$ 302,407
Government assistance <i>(Note 7)</i>	35,547	-
Fundraising and program registrations	34,581	61,930
Membership fees	923	13,138
Advertising	-	15,750
	<u>286,639</u>	<u>393,225</u>
EXPENSES		
Salaries and contracts	209,847	249,199
Programming and marketing	28,419	71,009
Consulting fees	16,080	32,555
Office	11,224	23,561
Rent	9,000	12,000
Professional fees	6,850	6,000
Insurance	3,348	3,068
Interest and bank charges	280	516
	<u>285,048</u>	<u>397,908</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,591	(4,683)
NET ASSETS - BEGINNING OF YEAR	<u>33,915</u>	<u>38,598</u>
NET ASSETS - END OF YEAR	<u>\$ 35,506</u>	<u>\$ 33,915</u>

See the accompanying notes to these financial statements

YORK REGION ARTS COUNCIL**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 1,591	\$ (4,683)
Changes in non-cash working capital:		
Accounts receivable	(571)	(2,954)
Harmonized Sales Tax recoverable	1,675	1,468
Prepaid expenses	(3,434)	6,083
Accounts payable and accrued liabilities	13,571	(12,164)
Government remittances payable	(1,318)	626
Deferred revenues	48,768	(74,230)
	<u>58,691</u>	<u>(81,171)</u>
Cash flows from (used by) operating activities	<u>60,282</u>	<u>(85,854)</u>
FINANCING ACTIVITY		
Proceeds from Canada Emergency Business Account loan	<u>40,000</u>	-
INCREASE (DECREASE) IN CASH	100,282	(85,854)
CASH - BEGINNING OF YEAR	<u>112,851</u>	<u>198,705</u>
CASH - END OF YEAR	<u>\$ 213,133</u>	<u>\$ 112,851</u>

See the accompanying notes to these financial statements

YORK REGION ARTS COUNCIL

Notes to Financial Statements

Year Ended December 31, 2020

1. ORGANIZATION

York Region Arts Council (the "Organization") was incorporated without share capital under the Ontario Corporations Act. It serves to advance, promote, represent and connect the art community and tourism industry across the region so as to enrich local quality of life, and to build awareness of, support for, involvement in and appreciation of, arts and culture in York Region. The Organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are the responsibility 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.

Revenue recognition

The Organization follows the deferral method of revenue recognition for contributions. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions, including grants are recognized as revenues in the year in which the related expenses are incurred.

Other earned revenues, principally from fundraising, program registrations and advertising are recognized as revenues upon completion of performance or related services.

Membership revenues are recognized as revenues upon receipt, which coincides with the Organization's fiscal year.

Government assistance revenues, including the 10% Temporary Wage Subsidy and the Canada Emergency Wage Subsidy, are recognized on an accrual basis in the year the related eligible expenses are incurred.

Financial instruments

The Organization 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.

Donations in kind and contributed services

Donations of tangible property are recorded in the accounts only if their fair value can be determined and the Organization would otherwise purchase the property.

Much of the work of the Organization is dependent on voluntary services. Since these services are not normally purchased by the Organization, contributed services are not recognized in the accounts.

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 year. Estimates exist regarding the collectability of accounts receivable. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known.

YORK REGION ARTS COUNCIL

Notes to Financial Statements

Year Ended December 31, 2020

3. DEFERRED REVENUES

Deferred revenues at December 31 consist of:

	2020	2019
Ontario Trillium Foundation - Artrepneur Grow grant	\$ 74,079	\$ 46,934
Ontario Trillium Foundation - SEED Creative Space grant	-	25,860
Ontario Arts Council - 2021 Operating grant	18,197	-
Regional Municipality of York - Tourism Marketing grant	29,286	-
	<u>\$ 121,562</u>	<u>\$ 72,794</u>

The continuity of deferred revenues for the year is as follows:

Balance, beginning of year	\$ 72,794	\$ 147,024
Add: amount received during the year	265,276	240,347
Less: amounts recognized as revenues in the year	<u>(216,508)</u>	<u>(314,577)</u>
Balance, end of year	<u>\$ 121,562</u>	<u>\$ 72,794</u>

4. GRANTS REVENUES

Grants revenues recognized during the year are as follows:

	2020	2019
Ontario Trillium Foundation - Artrepneur Grow grant	\$ 89,855	\$ 111,449
Ontario Trillium Foundation - project grant	31,460	24,540
Tourism Industry Association of Ontario	29,362	-
Ontario Arts Council - Operating grant	18,197	19,203
Regional Municipality of York - Tourism Marketing grant	46,714	77,395
Employment and Social Development Canada		
- Employment grant	-	21,834
Ontario Trillium Foundation - Operating grant	-	7,668
Government of Ontario - Summer Experience grant	-	3,658
Regional Municipality of York - Research grant	-	20,000
OCAD University - Employment grant	-	11,660
Central Counties Tourism grant	-	5,000
	<u>\$ 215,588</u>	<u>\$ 302,407</u>

5. CANADA EMERGENCY BUSINESS ACCOUNT LOAN PAYABLE

On May 15, 2020, the Organization received the Canada Emergency Business Account ("CEBA") which is an interest free loan of \$40,000 to assist with immediate operating cash flow needs of the Organization. The loan is interest-free for the initial term up to December 31, 2022. As part of the program, \$10,000 of the loan will be forgiven if \$30,000 is repaid in full on or before December 31, 2022. From the period commencing December 31, 2022 to the extended term date of December 31, 2025, the loan bears an annual interest rate of 5%

YORK REGION ARTS COUNCIL

Notes to Financial Statements

Year Ended December 31, 2020

6. FINANCIAL INSTRUMENTS

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

It is management's opinion that the Organization is not exposed to significant credit, liquidity, market risk nor concentrations of risk arising from its financial instruments.

7. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time. It is not possible to estimate the impact that the length and severity of these developments will have on the financial results of the Organization in future periods. The Organization continues to closely monitor and assess the impact on operations.

As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist employers whose activities have been affected by COVID-19. For the period of March 15 to December 31, 2020, the Organization applied for and received \$35,547. The Organization intends to apply for the CEWS for all subsequent periods for which it is eligible.
