

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

FINANCIAL STATEMENTS

AUGUST 31, 2019





INDEPENDENT AUDITOR'S REPORT

To the Members of
Cabbagetown Community Arts Centre Inc.
Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Cabbagetown Community Arts Centre Inc., which comprise the statement of financial position as at August 31, 2019, the statement of operations and net assets, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Cabbagetown Community Arts Centre Inc. as at August 31, 2019, 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 Qualified Opinion

In common with many charitable organizations, the organization derives revenue from program and instruction fees and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to the gate receipts and fundraising revenue.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related 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.

1.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I communicated 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 I identify during my audit.



Richmond Hill, Ontario
April 4, 2020

Chartered Professional Accountant
Licensed Public Accountant

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2019

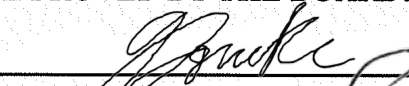
ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT</u>		
Cash	\$ 53,854	\$ -
Accounts Receivable	4,437	4,096
HST Receivable	7,584	8,500
	<u>\$ 65,875</u>	<u>\$ 12,596</u>

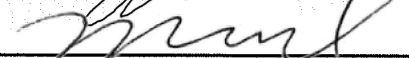
LIABILITIES AND NET ASSETS

<u>CURRENT</u>		
Bank Indebtedness	\$ -	\$ 9,840
Accounts Payable and Accrued Charges	38,556	15,732
Source Deductions Payable	9,726	2,073
Deferred Grant (Note 7)	23,000	25,000
	<u>71,282</u>	<u>52,645</u>
<u>NET ASSETS</u>	<u>(5,407)</u>	<u>(40,049)</u>
	<u>\$ 65,875</u>	<u>\$ 12,596</u>

APPROVED BY THE BOARD:



Director



Director

(See Accompanying Notes)

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
<u>REVENUE</u>		
Grants (Note 2)	\$ 25,000	\$ 25,000
Fundraising	59,333	51,809
Donations - Individual	32,222	9,625
Donations - Corporate	34,185	16,300
Foundations (Note 3)	33,978	46,000
Program and Instruction	48,023	53,801
Donations In Kind	22,382	303
	<u>255,123</u>	<u>202,838</u>
<u>EXPENSES</u>		
Program Instruction	49,580	56,794
Program Supplies	158	1,651
Salaries and Benefits	63,631	58,047
Office and General	6,599	8,064
Occupancy Costs	69,327	69,205
Fundraising Expenses	984	2,346
Professional Fees	4,910	3,905
Interest and Bank Charges	2,910	5,147
Donations In Kind	22,382	-
	<u>220,481</u>	<u>205,159</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</u>	34,642	(2,321)
<u>NET ASSETS, Beginning of the Year</u>	<u>(40,049)</u>	<u>(37,728)</u>
<u>NET ASSETS, End of the Year</u>	<u>\$ (5,407)</u>	<u>\$ (40,049)</u>

(See Accompanying Notes)

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess (Deficiency) of Revenue over Expenses	\$ 34,642	\$ (2,321)
<u>Changes in Non-Cash Operating Working Capital</u>		
Accounts Receivable	(341)	(118)
HST Receivable	916	(282)
Accounts Payable and Accrued Charges	22,824	(14,451)
Source Deductions Payable	7,653	(1,934)
Deferred Grant	(2,000)	(950)
	<u>29,052</u>	<u>(17,735)</u>
<u>INCREASE (DECREASE) IN CASH DURING YEAR</u>	63,694	(20,056)
<u>CASH (BANK INDEBTEDNESS), Beginning of the Year</u>	<u>(9,840)</u>	<u>10,216</u>
<u>CASH (BANK INDEBTEDNESS), End of the Year</u>	<u>\$ 53,854</u>	<u>\$ (9,840)</u>
<u>CASH AND CASH EQUIVALENTS REPRESENTED BY:</u>		
Cash (Bank Indebtedness)	<u>\$ 53,854</u>	<u>\$ (9,840)</u>

(See Accompanying Notes)

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

PURPOSE OF ORGANIZATION:

Cabbagetown Community Arts Centre Inc. is a not for profit corporation without share capital under the Corporations Act of Ontario. The Organization offers instruction in music, drama, sculpture and painting to give children from low-income families an opportunity to learn and perform, work in groups and create art. The Organization is a registered Canadian Charitable Organization under the Income Tax Act (Canada) and is exempt from income taxes. The Organization's registration number is 129452769RR0001.

1. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the organization are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and their basis of application is consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

a) Donated Materials and Services

Donated materials and services are not recorded in these financial statements, except to the extent that a donation in kind receipt has been issued.

b) Revenue Recognition and Deferred Contributions

The Centre receives government grants for the projects, which it undertakes. Grant revenue is recognized to the extent that expenses have been incurred for the projects. Revenue is deferred for the project expenses, which have yet to be incurred. Grant revenue is recorded on the accrual basis, i.e. as earned. Fundraising, rental and donation revenues are recorded on the cash basis.

Fee for service revenue is accounted for on the accrued basis.

c) Equipment

Equipment costing under \$5,000 is recorded as an expense in the year of purchase.

d) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is provided as follows:

Leasehold Improvements

Amortized over 60 months

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

e) Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, and accounts payable. Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair market value of a financial asset is other than temporary, the financial instrument is written down to its fair market value. Unless otherwise indicated, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair market value of these instruments approximate recorded amounts because of the short period to receipt or payment of cash.

2. GRANTS:

Grant revenue is summarized as follows:

	<u>2019</u>	<u>2018</u>
Toronto Arts Council	\$ 25,000	\$ 25,000

3. FOUNDATIONS:

Foundation revenues are compromised as follows:

	<u>2019</u>	<u>2018</u>
Jackman Foundation	\$ 10,000	\$ 15,000
Bill Morneau & Nancy McCain Foundation	10,000	10,000
Iron Workers District Council of Ontario	10,000	10,000
Raymond James Canada Foundation	2,000	1,000
The Henry White Kinnear Foundation	1,000	-
The Benevity Community Impact Fund	978	-
J.P.Bickell Foundation	-	10,000
	<u>\$ 33,978</u>	<u>\$ 46,000</u>

4. LEASE COMMITMENT:

The Centre continues to occupy the premises on a month to month basis.

CABBAGETOWN COMMUNITY ARTS CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

5. USE OF ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

6. CAPITAL MANAGEMENT:

The Board includes cash, accounts receivable, accounts payable, and fund balances in its capital management consideration. The Board's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate.

7. DEFERRED GRANT:

Deferred Grant is analyzed as follows:

	<u>2019</u>	<u>2018</u>
Toronto Arts Council	<u>\$ 23,000</u>	<u>\$ 25,000</u>

8. ECONOMIC DEPENDENCY:

The Centre is dependent on government grants and fundraising including donations for continued operations. The Centre is embarking on a deficit reduction plan in order to ensure continued operations.

9. FINANCIAL INSTRUMENTS - RISK MANAGEMENT:

a) Interest Rate Risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in their fair value of future cash flow of financial instruments due to changes in market interest rates.

b) Credit Risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations.

The extent of the Centre's exposure to the above risks did not change during 2019.