

ArtHouse for Children and Youth  
(a corporation without share capital)  
Financial Statements  
For the year ended June 30, 2019

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**(a corporation without share capital)**  
**Financial Statements**  
For the year ended June 30, 2019

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## Independent Auditor's Report

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To the Board of Directors of  
ArtHouse for Children and Youth (a corporation without share capital)

### Qualified Opinion

We have audited the accompanying financial statements of ArtHouse for Children and Youth (the "Organization"), which comprise the statement of financial position as at June 30, 2019, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2019, and its results of 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended June 30, 2019 and June 30, 2018, current assets as at June 30, 2019 and June 30, 2018, and net assets as at July 1 and June 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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



### 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 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
November 20, 2019

**ArtHouse for Children and Youth  
(a corporation without share capital)  
Statement of Financial Position**

June 30	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 47,150	\$ 105,743
Accounts receivable	7,900	7,500
Due from related party (Note 2)	3,816	12,129
Prepaid expenses	1,503	4,078
	60,369	129,450
<b>Long-term investment (Note 3)</b>	<b>24,511</b>	<b>21,518</b>
	<b>\$ 84,880</b>	<b>\$ 150,968</b>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 28,435	\$ 26,563
Deferred revenue (Note 4)	35,000	35,000
	63,435	61,563
<b>Net Assets</b>	<b>21,445</b>	<b>89,405</b>
	<b>\$ 84,880</b>	<b>\$ 150,968</b>

On behalf of the Board:

Maria C. Oswald Director

H. [Signature] Director

**ArtHouse for Children and Youth**  
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**Statement of Operations and Changes in Net Assets**

<b>For the year ended June 30</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Grant revenue	\$ 126,417	\$ 152,175
Donations	283,008	273,163
Event revenue	23,543	42,444
Investment Income (Note 3)	2,993	1,518
	<u>435,961</u>	<u>469,300</u>
<b>Expenditures</b>		
Advertising, promotion and fundraising	21,044	23,148
Administration and general	51,399	47,409
Event expenses	19,753	32,771
Insurance	2,533	3,830
Premises	1,500	1,500
Professional fees	23,992	7,515
Program costs	389,523	354,269
Recovery of HST	(5,823)	(8,674)
	<u>503,921</u>	<u>461,768</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(67,960)</b>	<b>7,532</b>
<b>Net assets, beginning of year</b>	<u><b>89,405</b></u>	<u><b>81,873</b></u>
<b>Net assets, end of year</b>	<b>\$ 21,445</b>	<b>\$ 89,405</b>

The accompanying notes are an integral part of these financial statements.

**ArtHouse for Children and Youth**  
**(a corporation without share capital)**  
**Statement of Cash Flows**

<b>For the year ended June 30</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenditures for the year	\$ (67,960)	\$ 7,532
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by (used in) operating activities		
Changes in non-cash working capital balances		
Accounts receivable	(400)	7,424
Prepaid expenses	2,575	7,139
Accounts payable and accrued liabilities	1,872	10,836
	<u>(63,913)</u>	<u>32,931</u>
<b>Cash flows from investing activities</b>		
Repayment from (advances to) related party	8,313	(12,129)
Purchase of long-term investment	(2,993)	(11,518)
	<u>5,320</u>	<u>(23,647)</u>
<b>Increase (decrease) in cash during the year</b>	<b>(58,593)</b>	<b>9,284</b>
<b>Cash, beginning of year</b>	<b>105,743</b>	<b>96,459</b>
<b>Cash, end of year</b>	<b>\$ 47,150</b>	<b>\$ 105,743</b>

The accompanying notes are an integral part of these financial statements.

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**ArtHouse for Children and Youth  
(a corporation without share capital)  
Notes to Financial Statements**

**June 30, 2019**

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**1. Significant Accounting Policies**

**Purpose of Organization**

ArtHouse for Children and Youth (the "Organization") is a charitable organization which offers cost-free programs to young children helping them to develop their hidden talents, experience the thrill of creative and artistic expression and share experiences in team building and social cohesion.

**Basis of Accounting**

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

**Revenue Recognition**

The Organization follows the deferral method of accounting for contributions, which includes donations. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. If a donor specifies that a contribution is for the Agency Endowment Fund or specifies that it is to be retained permanently, it is recognized as a direct increase in net assets.

Event and other revenue is recorded when the service has been completed and collection is reasonably assured.

**Deferred Revenue**

Deferred revenue relates to the portion of externally restricted funds received which have not been utilized by year end.

**Contributed Materials and Services**

Contributed materials which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**Allocated Expenses**

The Organization engages in events, programs, fundraising and the supporting administrative functions. The cost of each program includes the artistic directors fees, supplies and other expenses that are directly related to providing the program. The artistic director provides services to more than one department and their expenses are allocated between departments. All allocations are based on an estimate of time in each function.

**Use of Estimates**

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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**ArtHouse for Children and Youth  
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Notes to Financial Statements**

**June 30, 2019**

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**1. Significant Accounting Policies (Continued)**

**Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments other than the long-term investment which is recorded at fair value, are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

**Income Taxes**

The Organization is a registered charity under the Income Tax Act that is exempt from Federal and Provincial income taxes.

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**2. Due from Related Party**

The amount is unsecured, non-interest bearing and due on demand.

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**3. Long-term Investment**

In fiscal 2017, the Organization established an Agency Endowment Fund with the Oakville Community Foundation through a \$10,000 contribution. An additional \$2,993 (2018 - \$11,518) was contributed in fiscal 2019, which includes interest income of \$2,993 (2018 - \$1,518). Invested amounts are included in the accounts of the Organization at fair value based on the Organization's proportionate share of the investment.

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**4. Deferred Revenue**

Deferred revenue represents the amount of externally restricted funds received from donations and grants which have not been earned by year end.

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 35,000	\$ 35,000
Amounts received during the year	42,000	42,000
Amounts recognized in revenue in the current year	<u>(42,000)</u>	<u>(42,000)</u>
	<u>\$ 35,000</u>	<u>\$ 35,000</u>

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**ArtHouse for Children and Youth**  
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**Notes to Financial Statements**

**June 30, 2019**

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**5. Allocated Expenses**

In 2019, there was a \$82,616 (2018 - \$80,000) artistic director salary allocated to the following functional areas:

	<u>2019</u>		<u>2018</u>
Administration	\$ 38,416	\$	38,416
Fundraising	19,550		18,400
Events	7,650		7,360
Programs	17,000		15,824
	<u>\$ 82,616</u>	<u>\$</u>	<u>80,000</u>

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**6. Financial Instrument Risks**

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is subject to credit risk through accounts receivable. The Organization maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. This risk has not changed from prior year.

**Liquidity Risk**

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities. This risk has not changed from prior year.