

ArtHouse for Children and Youth
(a corporation without share capital)
Financial Statements
For the year ended June 30, 2021

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Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10



Tel: 289 881 1111
Fax: 905 845 8615
www.bdo.ca

BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

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, 2021, 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, 2021, 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, 2021 and June 30, 2020, current assets as at June 30, 2021 and June 30, 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 2020 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
Oakville, Ontario
November 22, 2021

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

June 30 **2021** **2020**

Assets

Current

Cash	\$	158,216	\$	106,706
Accounts receivable		6,484		19,056
Prepaid expenses		3,484		2,534

168,184 128,296

Long-term investment (Note 2)

30,942 25,370

\$ 199,126 \$ 153,666

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	18,529	\$	14,118
Deferred revenue (Note 3)		7,591		69,742

26,120 83,860

CEBA loan payable (Note 6)

40,000 -

Net assets

133,006 69,806

\$ 199,126 \$ 153,666

On behalf of the Board:

Marie Oswald Director

Keith Mackenzie Director

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

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

For the year ended June 30	2021	2020
Revenue		
Grant revenue	\$ 138,144	\$ 126,446
Donations	273,340	324,221
Event revenue	13,391	13,395
Investment Income (Note 2)	5,572	859
Government subsidies (Note 6)	104,061	27,083
	<u>534,508</u>	<u>492,004</u>
Expenditures		
Advertising, promotion and fundraising	22,229	22,985
Administration and general	52,439	52,493
Event expenses	18,327	13,939
Insurance	2,533	2,533
Premises	1,500	1,500
Professional fees	19,485	20,839
Program costs (Note 4)	362,092	338,119
Recovery of HST	(7,297)	(8,765)
	<u>471,308</u>	<u>443,643</u>
Excess of revenue over expenditures	63,200	48,361
Net assets, beginning of year	<u>69,806</u>	<u>21,445</u>
Net assets, end of year	<u>\$ 133,006</u>	<u>\$ 69,806</u>

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

**Arthouse for Children and Youth
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Statement of Cash Flows**

For the year ended June 30	2021	2020
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 63,200	\$ 48,361
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Changes in non-cash working capital balances		
Accounts receivable	12,572	(11,156)
Prepaid expenses	(950)	(1,031)
Accounts payable and accrued liabilities	4,411	(14,317)
Deferred revenue	(62,151)	34,742
	17,082	56,599
Cash flows from investing activities		
Repayment from related party	-	3,816
Purchase of long-term investment	(5,572)	(859)
Proceeds from CEBA loan	60,000	-
Forgiveness of CEBA loan	(20,000)	-
	34,428	2,957
Increase in cash during the year	51,510	59,556
Cash, beginning of year	106,706	47,150
Cash, end of year	\$ 158,216	\$ 106,706

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

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

June 30, 2021

1. Significant Accounting Policies

Purpose of Organization

ArtHouse for Children and Youth (the "Organization") is a charitable organization which offers free arts related programs to young people, ages 5 to 17, helping them to develop their hidden talents, experience the thrill of creative and artistic expression and supporting their physical, emotional and social well-being. At the outset of COVID-19 in March 2020, the Organization initiated an Emergency Meals Program to provide its families with further support during the pandemic.

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.

Government Subsidies

During the year, the Organization made periodic applications for financial assistance under the Canada Emergency Wage Subsidy ("CEWS") program. These amounts are recorded as revenue in the year to which they relate.

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 Executive Director's fees, supplies and other expenses that are directly related to providing the program. The Executive 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.

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

June 30, 2021

1. Significant Accounting Policies (Continued)

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.

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.

2. 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 \$5,572 was contributed in fiscal 2021 consisting of interest income that was earned (2020 - \$859). Invested amounts are included in the accounts of the Organization at fair value based on the Organization's proportionate share of the investment.

3. 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>2021</u>		<u>2020</u>
Balance, beginning of year	\$ 69,742	\$	35,000
Amounts received during the year	33,400		158,366
Amounts recognized in revenue in the current year	<u>(95,551)</u>		<u>(123,624)</u>
	<u>\$ 7,591</u>	\$	<u>69,742</u>

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

June 30, 2021

4. Allocated Expenses

In 2021, there was a \$86,700 (2020 - \$89,000) Executive Director salary allocated to the following functional areas:

	<u>2021</u>		<u>2020</u>
Administration	\$ 41,616	\$	42,720
Fundraising	19,941		20,470
Events	7,803		8,010
Programs	17,340		17,800
	<u>\$ 86,700</u>	\$	<u>89,000</u>

5. 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 and the Canada emergency benefit account loan payable.

6. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. As a direct result of the COVID-19 pandemic, the Organization experienced a reduction in revenue that qualified it for financial assistance from the CEWS government incentive program in the amount of \$84,061 (2020 - \$27,083). Management has determined that the Organization does not have an obligation to repay the Government of Canada for this subsidy as they have determined that the Organization has met all applicable eligibility criteria.

The Organization also received government assistance of \$60,000 (2020 - \$Nil) in the form of a Canada Emergency Business Account loan ("CEBA loan"). \$20,000 of this balance is to be forgiven by the Government of Canada if repayment is made in full prior to December 31, 2022. As Management intends to repay this loan by the prescribed date, \$20,000 has been included in government subsidy revenue.

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

June 30, 2021

6. Impact of COVID-19 (Continued)

Management is actively monitoring and planning for contingencies in the event that there is continued effect on the financial condition, liquidity, operations, suppliers, sector and workforce of the Organization. During this time, the Organization continues to operate. The Organization is not able to estimate the potential future effects of the COVID-19 outbreak on its operations, financial condition or liquidity at this time.

7. Comparative Amounts

Certain comparative figures presented in the financial statements have been reclassified to conform with the current year's presentation.