
ARTHOUSE FOR CHILDREN AND YOUTH
(a corporation without share capital)
FINANCIAL STATEMENTS
JUNE 30, 2022



**CAPSTICK
McCOLLUM**
& ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of ArtHouse for Children and Youth

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, 2022 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of ArtHouse for Children and Youth as at June 30, 2022 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 part of its 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 donation or event revenue, excess (deficit) of revenue over expenses and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021, and fund balances as at July 1 and June 30 for both the 2022 and 2021 years. The audit opinion on the financial statements for the year ended June 30, 2021 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 responsibility 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 obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements of ArtHouse for Children and Youth for the year ended June 30, 2021 were audited by another public accounting firm who expressed a qualified opinion on those financial statements on November 22, 2021.



INDEPENDENT AUDITORS' REPORT
(continued)

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.

Auditors' 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 auditors' 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.



**CAPSTICK
McCOLLUM**
& ASSOCIATES

INDEPENDENT AUDITORS' REPORT
(continued)

Auditors' Responsibilities for the Audit of the Financial Statements - continued

- 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 auditors' 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 the auditors' 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.

CAPSTICK MCCOLLUM & ASSOCIATES

Capstick McCollum & Associates

Oakville, Ontario
November 16, 2022

Chartered Professional Accountants
Licensed Public Accountants

ARTHOUSE FOR CHILDREN AND YOUTH
(a corporation without share capital)
BALANCE SHEET

JUNE 30, **2022** **2021**

ASSETS

CURRENT

Cash	\$ 167,067	\$ 158,216
Accounts receivable - note 2	24,489	6,559
Prepaid expenses	2,692	3,484

LONG-TERM INVESTMENT - note 3	194,248	168,259
	29,554	30,942

\$ 223,802 \$ 199,201

LIABILITIES

CURRENT

Accounts payable and accrued liabilities - note 4	\$ 20,501	\$ 18,604
Deferred revenue - note 5	49,078	7,591

GOVERNMENT LOAN PAYABLE - note 6	69,579	26,195
	40,000	40,000

109,579 **66,195**

NET ASSETS

NET ASSETS	114,223	133,006
-------------------	----------------	----------------

\$ 223,802 \$ 199,201

Approved on behalf of the Board:

Marie C. Osevald Director

H. M. M. M. M. Director

ARTHOUSE FOR CHILDREN AND YOUTH
(a corporation without share capital)
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30,	2022	2021
REVENUE		
Donations	\$ 334,172	\$ 273,340
Event revenue	12,000	13,391
Government subsidies - note 9	15,856	104,061
Grant revenue	53,851	138,144
Investment income	(1,387)	5,572
	414,492	534,508
EXPENSES		
Advertising, promotion and fundraising - note 7	20,973	22,229
Administration and general - note 7	51,890	52,274
Event expenses - note 7	21,385	17,892
Insurance	2,583	2,533
Premises	1,500	1,500
Professional fees	15,456	18,634
Program costs - note 7	319,488	356,246
	433,275	471,308
(DEFICIT) EXCESS OF REVENUE OVER EXPENDITURES	(18,783)	63,200
NET ASSETS - beginning	133,006	69,806
NET ASSETS	\$ 114,223	\$ 133,006

Subject to accompanying notes to the financial statements

ARTHOUSE FOR CHILDREN AND YOUTH
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30,	2022	2021
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
(Deficit) excess of revenue over expenditures	\$ (18,783)	\$ 63,200
Items not requiring a cash payment		
Forgiveness of CEBA loan	-	(20,000)
	(18,783)	43,200
Changes in non-cash working capital balances		
Accounts receivable	(17,930)	12,572
Prepaid expenses and deposits	792	(950)
Accounts payable and accrued liabilities	1,897	4,411
Deferred revenue	41,487	(62,151)
	26,246	(46,118)
	7,463	(2,918)
FINANCING ACTIVITIES		
Proceeds from CEBA loan	-	60,000
(Purchase) of long-term investment	-	(5,572)
	-	54,428
Purchase of investments	1,388	-
NET INCREASE IN CASH	8,851	51,510
CASH - beginning	158,216	106,706
CASH	\$ 167,067	\$ 158,216

Subject to accompanying notes to the financial statements

ARTHOUSE FOR CHILDREN AND YOUTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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. The Organization is a registered charitable organization under the Income Tax Act and is exempt from income taxes under Section 149(1). The Organization's registered charitable number is 858682651RR0001.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which is in accordance with Canadian generally accepted accounting principles.

b) Use of estimates

The preparation of the Organization's 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results in the future may differ from those estimates made.

c) Revenue recognition

The Organization follows the deferral method of accounting for contributions, which includes donations, government subsidies and grant revenue. 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.

Investment income is recognized when earned. Event and other revenue is recognized when the service has been completed and collection is reasonably assured.

ARTHOUSE FOR CHILDREN AND YOUTH
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d) 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.

e) Fixed assets

Since the Organization has average revenue less than \$500,000 over the current and prior fiscal years, Canadian accounting standards for not-for-profit organizations does not require the capitalization of fixed assets. The Organization has chosen not to capitalize fixed asset additions, nor is amortization charged to the current operations for the eventual replacement of fixed assets.

f) Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and liabilities at amortized cost except for the long-term investment which is subsequently measured at fair value.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

The Organization recognizes transaction costs in excess (deficit) of revenue over expenditures in the period incurred except for financial instruments that will not be measured subsequently at fair value. The carrying amount of these instruments are adjusted by the transaction costs that are directly attributable to the instrument.

g) Cash

The Organization's policy is to disclose bank balances under cash.

ARTHOUSE FOR CHILDREN AND YOUTH
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

h) Allocation of 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.

2. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	\$ 21,343	\$ 4,000
HST recoverable	3,146	2,559
	\$ 24,489	\$ 6,559

3. LONG-TERM INVESTMENT

In fiscal 2017, the Organization established an Agency Endowment Fund with the Oakville Community Foundation through a \$10,000 contribution. In the current year, the investment balance was reduced by \$1,387 consisting of interest expense (2021 - \$5,572 of interest income earned). Invested amounts are included in the accounts of the Organization at fair value based on the Organization's proportionate share of the investment.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable and accrued liabilities	\$ 14,844	\$ 13,070
Government remittances payable	5,657	5,534
	\$ 20,501	\$ 18,604

ARTHOUSE FOR CHILDREN AND YOUTH
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

5. DEFERRED REVENUE

Deferred revenue represents the amount of externally restricted funds received from donations and grants which have not been earned by year end. Changes in deferred revenue are as follows:

	2022	2021
Opening balance	\$ 7,591	\$ 69,742
Amounts received during the year	95,338	33,400
Revenue recognized during the year	(53,851)	(95,551)
	\$ 49,078	\$ 7,591

6. GOVERNMENT LOAN PAYABLE

In the prior year, the Organization obtained the Canada Emergency Business Account from Canadian Federal Government. The loan is non-interest bearing with no fixed terms of repayment until December 31, 2023. Between now and December 31, 2023, upon repayment of 75% of the amount borrowed, the remaining 25% will be forgiven by the government. If the 75% of the amount borrowed is not repaid before December 31, 2023, the loan reverts to a 3 year term loan with a 5% interest rate. The Organization has no intentions of making principal payments in the coming year, however it intends to repay the outstanding balance by December 31, 2023. The terms and conditions surrounding how this loan could be spent have been met by the Organization.

7. ALLOCATED EXPENSES

The Organization classifies expenses on the statement of operations and changes in net assets by function. In the current year, Executive Director salary in the amount of \$87,985 (2021 - \$86,700) was allocated to the following functional areas:

	2022	2021
Administration	\$ 42,121	\$ 41,616
Events	7,938	7,803
Fundraising	17,640	17,340
Programs	20,286	19,941
	\$ 87,985	\$ 86,700

ARTHOUSE FOR CHILDREN AND YOUTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

8. RELATED PARTY TRANSACTIONS

No remuneration was paid to the Board of Directors or Officers during the year.

9. GOVERNMENT ASSISTANCE

During the year, the Organization received government assistance in the amount of \$5,856 (2021 - \$84,061) from the Government of Canada as part of the Canada Emergency Wage Subsidy program. In addition, the Organization received government assistance in the amount of \$10,000 (2021 - nil) from the Government of Ontario as part of the Ontario Small Business Relief Grant. These amounts have been credited directly to government subsidies on the statement of operations and changes in net assets.

10. FINANCIAL INSTRUMENTS

The significant financial risks to which the Organization is exposed to are credit risk and liquidity risk.

a) Credit risk

Credit risk refers to the risk that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Organization is exposed to credit risk in the event of non-performance by counter parties in connection with its accounts receivable. The Organization mitigates this risk by dealing only with what management believes to be financially sound counter parties and, accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk is the carrying value of the accounts receivable on the statement of financial position.

ARTHOUSE FOR CHILDREN AND YOUTH
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

10. FINANCIAL INSTRUMENTS - continued

b) Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities.

The Organization is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities and government loan payable. The Organization expects to meet its obligations as they come due primarily from cash flow from operations. The Organization also meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

There have been no changes to the above risks from the prior year.

11. UNCERTAINTY DUE TO THE COVID-19 VIRUS

The COVID-19 virus has spread worldwide during the calendar years 2020, 2021 and 2022. This pandemic has caused local and national lock downs, organization shut downs (both mandatory and voluntary) and social distancing. It is unclear what implications this pandemic may have or what impact government subsidies may have in helping the economy recover and what the impact will be on the Organization.

12. COMPARATIVE FIGURES

The comparative figures were audited by another public accounting firm. Certain comparative figures presented in the statement of financial position and statement of operations and changes in net assets have been reclassified to conform with the current year's presentation.