

QUINTE ARTS COUNCIL

FINANCIAL STATEMENTS

December 31, 2021

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITOR'S REPORT

To the Members of
QUINTE ARTS COUNCIL

Qualified Opinion

We have audited the financial statements of Quinte Arts Council (the "Council") , which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of fund balances and statement of 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 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 the Council as at December 31, 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 organization.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Council derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Council. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. The audit opinion on the financial statements for the year ended December 31, 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 Council 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 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 , 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Council'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 Council'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 Council 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.

Belleville, Ontario
June 1, 2022


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

QUINTE ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	Operating	Restricted Fund		Total	2020
		2021	Awards & Bursaries		
CURRENT ASSETS					
Cash	\$ 41,181	\$ -	\$ 41,181	\$ 22,218	
Accounts receivable	17,260	-	17,260	27,865	
Marketable securities - Note 3	10,052	26,283	66,335	61,835	
Deposits	10,030	-	10,030	932	
Due from other funds	12,951	-	12,951	5,151	
	<u>\$ 121,474</u>	<u>\$ 26,283</u>	<u>\$ 147,757</u>	<u>\$ 118,001</u>	

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 8,432	\$ -	\$ 8,432	\$ 7,324
Government remittances	7,425	-	7,425	1,489
Deferred revenue	26,917	-	26,917	7,152
Due to other funds	-	12,951	12,951	5,151
	<u>42,774</u>	<u>12,951</u>	<u>55,725</u>	<u>21,116</u>



LOAN PAYABLE - Note 7

	<u>37,151</u>	<u>-</u>	<u>37,151</u>	<u>34,302</u>
	<u>79,925</u>	<u>12,951</u>	<u>92,876</u>	<u>55,418</u>

FUND BALANCES

Fund balance	<u>41,549</u>	<u>13,332</u>	<u>54,881</u>	<u>62,583</u>
	<u>\$ 121,474</u>	<u>\$ 26,283</u>	<u>\$ 147,757</u>	<u>\$ 118,001</u>

Approved by the Board:

 Director
 Director

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

QUINTE ARTS COUNCIL
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021

	Operating 2021	<u>Restricted Fund</u> Awards & Bursaries 2021	Total 2021	2020
REVENUES				
Donations	\$ 78,237	\$ 1,000	\$ 79,237	\$ 56,520
Gallery sales	-	-	-	7,239
Memberships	15,738	-	15,738	9,552
Miscellaneous income	-	-	-	1,500
Umbrella - advertising and sponsors	525	-	525	2,951
Sponsors	17,125	-	17,125	7,500
Arts Endowment Fund - Note 4	6,632	-	6,632	8,700
Grant - Ontario Arts Council	16,652	-	16,652	7,152
Grant - City of Belleville	42,500	-	42,500	35,500
Grant - Summer Jobs	14,718	-	14,718	24,610
Grant - Ontario Trillium Foundation	34,900	-	34,900	-
Ontario Small Business Grant	20,000	-	20,000	-
Government assistance - Note 10	36,064	-	36,064	86,738
	<u>283,091</u>	<u>1,000</u>	<u>284,091</u>	<u>247,962</u>
EXPENSES				
Advertising and promotion	193	-	193	280
Bursaries and awards	-	4,300	4,300	5,000
Computer expense	26,341	-	26,341	4,083
Conferences and meetings	1,899	-	1,899	1,096
Consignment fees	68	-	68	2,651
Insurance	3,351	-	3,351	3,465
Interest and bank charges	3,650	-	3,650	2,022
Memberships and subscriptions	425	-	425	20
Miscellaneous	9,063	-	9,063	468
Office rent and utilities	12,000	-	12,000	12,554
Professional fees	7,772	-	7,772	6,910
Publication - Umbrella	46,244	-	46,244	13,741
Stationary and supplies	31,240	-	31,240	22,585
Telephone	1,721	-	1,721	1,912
Wages and benefits	143,526	-	143,526	108,823
	<u>287,493</u>	<u>4,300</u>	<u>291,793</u>	<u>185,610</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (4,402)</u>	<u>\$ (3,300)</u>	<u>\$ (7,702)</u>	<u>\$ 62,352</u>

(See accompanying notes)

**QUINTE ARTS COUNCIL
STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	Operating	<u>Restricted Fund</u> Awards & Bursaries	Total	
	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2020</u>
BALANCE, beginning of year	\$ 45,951	\$ 16,632	\$ 62,583	\$ 231
Excess (deficiency) of revenues over expenses	<u>(4,402)</u>	<u>(3,300)</u>	<u>(7,702)</u>	<u>62,352</u>
BALANCE, end of year	<u>\$ 41,549</u>	<u>\$ 13,332</u>	<u>\$ 54,881</u>	<u>\$ 62,583</u>

(See accompanying notes)

**QUINTE ARTS COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	Operating	<u>Restricted Fund</u> Awards & Bursaries	Total	
	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (4,402)	\$ (3,300)	\$ (7,702)	\$ 62,352
Adjustments for				
Non-cash loan forgiveness	-	-	-	(20,000)
Non-cash present value of loan	2,849	-	2,849	(5,698)
	<u>(1,553)</u>	<u>(3,300)</u>	<u>(4,853)</u>	<u>36,654</u>
Change in non-cash working capital components:				
Accounts receivable	10,605	-	10,605	(17,838)
Marketable securities	-	(4,500)	(4,500)	(41,700)
Deposits	(9,098)	-	(9,098)	-
Due from other funds	(7,800)	-	(7,800)	(8,000)
Accounts payable and accrued liabilities	1,108	-	1,108	(25,895)
Government remittances payable	5,936	-	5,936	1,451
Deferred revenue	19,765	-	19,765	7,152
Due to other funds	-	7,800	7,800	8,000
	<u>18,963</u>	<u>-</u>	<u>18,963</u>	<u>(40,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan proceeds	-	-	-	60,000
INCREASE IN CASH	18,963	-	18,963	19,824
CASH, BEGINNING OF YEAR	22,218	-	22,218	2,394
CASH, END OF YEAR	<u>\$ 41,181</u>	<u>\$ -</u>	<u>\$ 41,181</u>	<u>\$ 22,218</u>

(See accompanying notes)

QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

1. NATURE OF OPERATIONS

The Quinte Arts Council (the "Council") was founded on the belief that the arts are for everyone. The mandate of the Quinte Arts Council is to foster and develop creative excellence among Quinte artists and to promote awareness of and appreciation for the arts in the entire Quinte community.

The Quinte Arts Council is a registered charitable organization under the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant policies are detailed as follows:

Basis of accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Significant items subject to such estimates and assumptions include valuation of accounts receivable and deferred income, and estimating accrued liabilities. Actual results could differ from these estimates.

**QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

These financial statements include the activities of the Council for which the Board of Directors is legally accountable. The Council maintains its accounts in accordance with the principles of fund accounting in order that limitations and restrictions placed on the use of available resources are observed. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds in accordance with activities or objectives specified. For financial reporting purposes, the Council has combined funds with similar characteristics into two fund groups: Operating Fund and Restricted Funds.

The Operating Fund accounts for the costs of performances, productions, administrative and other operations of the Council financed by fees, grants and other general income. It also records the current assets, liabilities and members' equity relating to administrative operations.

The Restricted Funds account for monies received for special purposes other than operating programs. During the year, the Council had three restricted funds: Bursary, Capital and Endowment.

The purpose of the Awards & Bursaries Fund is to provide awards and bursaries to individuals and schools engaged in professional development related to the Arts.

The purpose of the Capital Fund is to finance a capital project such as the purchase of or improvement of land and building to house the Quinte Arts Council.

The purpose of the Endowment Fund is to account for monies given to the Council substantially from benefactors. The Council has restricted these donations, including the investment income earned thereon, to be used for specific programs and projects, as determined from time to time.

Contributed services

A substantial number of volunteers contribute a significant amount of their time to assist in the Council's activities. While these services benefit the Council considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

Capital assets

In accordance with the Canadian accounting standards for not-for-profit organizations, small not-for-profit organizations, defined as those with average annual revenues less than \$500,000, can choose not to recognize tangible capital assets in their statement of financial position. Therefore, capital assets are reported as expenses in the statement of operations in the year of acquisition. Disposal proceeds are recorded as revenue in the year of disposition.

QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

(a) Contributions

The follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the period in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Donations

Donated tangible capital assets and services are recorded at fair market value when the value can be reasonably estimated, the value is greater than \$500 and the Council would have paid for the item if it had not been donated. Donations of cash are recognized when received.

(c) Fees and Ticket Sales

Fees and ticket sales are recognized as revenue at the time performances are supplied to the customers.

(d) Investment Income

Investment income is recognized at the time that is earned.

Deferred revenue

The Council defers all amounts received and expenditures made in the current year relating to events to be held subsequent to the year-end. The excess of these receipts over expenditures is recorded in the balance sheet as deferred income.

QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

These investments are acquired substantially for their income earning potential and are classified as available-for-sale, and initially recorded at their acquisition cost, including related transaction costs, on the date of trade. Investments in publicly-traded securities are subsequently adjusted to fair value as at the date of the statement of financial position, and the corresponding unrealized gains and losses are reflected in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, term deposits and money market instruments with maturity dates of less than one year from the date they were acquired.

Financial instruments

The Council's financial instruments consist of cash, term deposits, advances receivable, accounts receivable, accrued interest receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

(i) Measurement of Financial Instruments

The Council initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of the transaction costs directly attributable to the instrument.

The Council subsequently measures all its financial assets and liabilities at amortized cost. Changes in fair value are recognized in excess (deficiency) or revenues over expenses.

Financial assets measured at amortized cost include cash, accounts receivable and due from other funds.

Financial assets measured at fair value include portfolio investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and due to other funds.

**QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial assets or group of assets, a write-down is reflected in excess (deficiency) of revenues over expenses. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess (deficiency) of revenue over expenditures, up to the amount previously recognized as impaired.

Government assistance

Government assistance received is recorded as revenue in the period for which eligible expenditures are incurred. Government assistance related to interest free loans is recorded as revenue over the interest free period based on the present value of the loan. Government assistance related to loan forgiveness is recorded as revenue in the period that it is determined the forgivable portion of the loan will be forgiven.

3. PORTFOLIO INVESTMENTS

The market value of investments as at December 31 are as follows:

	Operating 2021	Restricted Fund		2020
		Awards & Bursaries 2021	Total 2021	
Deposit accounts	\$ 40,052	\$ -	\$ 40,052	\$ 40,052
Savings account	-	8,847	8,847	4,347
Mutual funds	-	17,436	17,436	17,436
	<u>\$ 40,052</u>	<u>\$ 26,283</u>	<u>\$ 66,335</u>	<u>\$ 61,835</u>

The Eugene Lang Memorial Fund balance at December 31, 2021 was \$17,436 (2020 - \$17,436). The Fund was established in 2001 to encourage and promote classical music education projects in schools in Hastings and Prince Edward Counties. An award, based on the interest accumulated in the fund during the preceding year, is presented annually. No award was given in 2021 due to Covid related restrictions.

**QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

4. ENDOWMENT FUND

The Ontario Arts Foundation ("OAF") operates an Ontario Arts Endowment Fund Program in which it holds contributions made to arts organizations for endowment purposes. Endowment funds are held in trust by OAF in perpetuity. Art organizations receive income in amounts determined each year by OAF. In 2021, the market value of the Quinte Arts Council Arts Endowment Fund was approximately \$152,073 (2020 - \$136,211). There is no access to the capital in this fund, and accordingly, no asset is reflected on these financial statements.

5. COMMITMENTS

The Council's only commitment is the leasing of a photocopier for their office. The monthly payments are \$330 (2020 - \$330) plus applicable taxes. The Council does rent office space but there is no contract in place that would indicate a future commitment. Rent is paid on a month-to-month basis at \$825 (2020 - \$825) plus applicable taxes.

6. TANGIBLE CAPITAL ASSETS

During the year, the Council acquired capital assets in the total amount of \$35,765 (2020 - \$1,950). Accordingly, this amount has been expensed in the operating fund.

7. LOAN PAYABLE

	2021	2020
Canada Emergency Business Account (CEBA) from CIBC, interest at 0% during initial term, initial term ending December 31, 2022, interest owing at 5% during extended term ending on December 31, 2025, first interest payment date is January 31, 2023, \$20,000 is forgivable if repaid before initial term date.	\$ <u>37,151</u>	\$ <u>34,302</u>

The book value of the loan at December 31, 2021 is \$60,000. The loan has been discounted to reflect the below market interest over the interest free period at a rate of 5%. The fair value adjustment on the loan in 2021 is \$2,849 and is included in interest expenses.

8. CAPITAL DISCLOSURES

The Council's objectives with respect to capital management are to maintain a minimum capital base that allows the organization to continue with and execute its overall purpose as outlined in Note 1. The Council's Board of Directors perform periodic reviews of the Council's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Council.

**QUINTE ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

9. FINANCIAL RISK AND CONCENTRATION OF RISK

The Council has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments are as follows and have not changed from the prior year.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. Currency risk and interest rate risk do not have significant impact on the Council.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Council is exposed to this risk through its money market holdings within its investments portfolio, as disclosed in Note 3 to these financial statements which total \$17,436 (2020 - \$17,436).

Credit Risk

Credit risk is the risk of financial loss to the Council if a debtor fails to make payments of interest and principal when due. The Council is exposed to credit risk in the event of non-performance by clients in connection with its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet all cash outflow obligations as they come due. The Council's exposure to liquidity risk is dependent on the receipt of funds from various sources, whether in the form of donations, grants or endowments.

Change in Risk

There were no changes in the Council's risk exposure during the year.

10. GOVERNMENT ASSISTANCE

During the year, the Council applied for assistance under the Government of Canada's CEWS programs. Amounts recorded into revenues are as follows:

	<u>2021</u>
Canada Emergency Wage Subsidy	<u>\$ 36,064</u>