

Draft - For Discussion Purposes Only

**SOUTH SIMCOE
ARTS COUNCIL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

Draft

[Insert Date]

REVIEW ENGAGEMENT REPORT

To the Board of Directors of
South Simcoe Arts Council

I have reviewed the statement of financial position of South Simcoe Arts Council as at September 30, 2017 and the statements of changes in net assets, operations and cash flow for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the organization.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

In common with many charitable organizations, the organization derives revenue from donations and fund raising activities the completeness of which is not susceptible to satisfactory review. Accordingly, my review of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to fund raising revenue and excess of revenues over expenses.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian Accounting Standards for Not for Profit Organizations.

PROFESSIONAL CORPORATION

Chartered Professional Accountant
Authorized to Practice Public Accounting by
The Chartered Professional Accountants of Ontario

For Discussion Purposes Only

SOUTH SIMCOE ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

	Operating Fund	Scholarship Fund	Festivals Fund	Educational Fund	Total 2017	Total 2016
Current Assets						
Cash	\$ 16,318	\$	\$	\$ 17,923	\$ 34,241	\$ 45,832
Government remittances receivable	6,957				6,957	5,374
Prepaid insurance and deposits	2,437				2,437	2,419
	<u>\$ 25,712</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,923</u>	<u>\$ 43,635</u>	<u>\$ 53,625</u>
Current Liabilities						
Accounts payable	\$ 4,562			\$	4,562	\$ 6,600
Deferred Contributions (Note 3)	<u>1,240</u>				<u>1,240</u>	<u>675</u>
Fund Balances						
Externally restricted (Note 4)				3,850	3,850	4,550
Unrestricted	<u>19,910</u>			<u>14,073</u>	<u>33,983</u>	<u>41,800</u>
	<u>19,910</u>			<u>17,923</u>	<u>37,833</u>	<u>46,350</u>
	<u>\$ 25,712</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,923</u>	<u>\$ 43,635</u>	<u>\$ 53,625</u>

Approved on behalf of the Board

Director

Director

Date

**SOUTH SIMCOE ARTS COUNCIL
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Operating Fund	Scholarship Fund	Festivals Fund	Educational Fund	Total 2017	Total 2016
BALANCE, BEGINNING OF YEAR	\$ 28,427	\$	\$	\$ 17,923	\$ 46,350	\$ 56,577
Excess of revenue over expenses (expenses over revenue)	(11,511)		(4,051)	7,045	(8,517)	(10,227)
Interfund transfers (Note 5)	<u>2,994</u>		<u>4,051</u>	<u>(7,045)</u>		
BALANCE, END OF YEAR	<u>\$ 19,910</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,923</u>	<u>\$ 37,833</u>	<u>\$ 46,350</u>

**SOUTH SIMCOE ARTS COUNCIL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Operating Fund	Scholarship Fund	Festivals Fund	Educational Fund	Total 2017	Total 2016
Revenue						
Memberships	\$ 10,090	\$	\$	\$	\$ 10,090	\$ 7,830
Grants	73,038		5,045		78,083	83,498
Events and other revenue	9,430			2,581	12,011	14,773
Art sales commission			515	5,114	5,629	5,754
Donations and sponsorships	3,350		11,144		14,494	18,477
	<u>95,908</u>		<u>16,704</u>	<u>7,695</u>	<u>120,307</u>	<u>130,332</u>
Expenses						
Adjudicator and juror fees			11,792		11,792	7,847
Awards			7,508		7,508	3,555
Fundraising	142				142	
Furnishings	4,778				4,778	4,140
Insurance	2,077				2,077	2,623
Miscellaneous						1,426
Professional fees	5,525				5,525	7,092
Promotion	7,941				7,941	8,607
Rent	24,602				24,602	26,421
Outside services	50,935				50,935	63,166
Stationary, supplies and postage	9,593			650	10,243	13,064
Telephone and communications	1,826		1,455		1,826	1,718
Venues					1,455	634
Website						266
	<u>107,419</u>		<u>20,755</u>	<u>650</u>	<u>128,824</u>	<u>140,559</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (11,511)</u>	<u>\$</u>	<u>(4,051)</u>	<u>7,045</u>	<u>(8,517)</u>	<u>(10,227)</u>

(unaudited)

**SOUTH SIMCOE ARTS COUNCIL
STATEMENT OF CHANGES IN CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Operating Fund	Scholarship Fund	Festivals Fund	Educational Fund	Total 2017/	Total 2016
Cash Flows From Operating Activities						
Revenue over expenses (expenses over revenue) for the year	\$ (11,511)	\$	(4,051)	7,045	\$ (8,517)	\$ (10,227)
Net changes in non-cash working capital items						
Decrease (increase) in government remittances receivable	(1,583)				(1,583)	(2,422)
Decrease (increase) in accounts receivable	(18)				(18)	1,972
Increase in prepaid expenses	565				565	(40,825)
Increase (decrease) in deferred contributions	(2,038)				(2,038)	2,437
Increase in accounts payable						
Net Cash from Operating Activities	(14,585)		(4,051)	7,045	(11,591)	(49,065)
Net increase (decrease) in cash and cash equivalents	(14,585)		(4,051)	7,045	(11,591)	(49,065)
Cash and cash equivalents, Beginning of Year	27,909			17,923	45,832	94,897
Interfund adjustments	2,994		4,051	(7,045)		
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,318	\$	\$	\$ 17,923	\$ 34,241	\$ 45,832

**SOUTH SIMCOE ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PURPOSE OF ORGANIZATION

The South Simcoe Arts Council (SSAC) is a charitable organization incorporated without share capital under the laws of Ontario. The mission of the organization is to increase the public's appreciation of the arts by providing performances of an artistic nature and to produce performing arts festivals.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not for Profit Organizations (ASNPO) and include the following significant accounting policies.

(a) Fund Accounting

South Simcoe Arts Council follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative activities. The Scholarship Fund is restricted to awards recognizing the achievements of young writers. The Festivals Fund reports the activities of various festivals and entertainment events. The Educational Fund reports the programs for education of the artists or the community at large.

(b) Revenue Recognition

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

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

Contributions for scholarships are recognized as revenue in the Scholarship Fund as they are received. Contributions for the festivals and education programs are recognized as revenue in the funds as they are received.

(c) Contributed Services

The South Simcoe Arts Council receives many hours each year of volunteer services, in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**SOUTH SIMCOE ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES - cont.

(d) Capital Expenditures

Capital expenditures are recognized as an expense in the period of acquisition and therefore no capital assets are recorded on the balance sheet and no amortization of assets is required. During the year the organization expensed equipment purchases of \$4,778 (2016 - \$4,140).

(e) Cash and Cash Equivalents

The organization's policy is to disclose bank balances under cash and cash equivalents including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity date of three months or less from the date of the acquisition. Cash and cash equivalents that the entity cannot use for current transactions because they are pledged as security are excluded.

(f) 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 may affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

(g) Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of expenses over revenue.

Financial assets measured at amortized cost include cash and cash equivalents and government remittances receivable. Financial liabilities measured at amortized cost include the accounts payable.

**SOUTH SIMCOE ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES - cont.

(g) Financial Instruments - cont.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

The amount of the reversal is recognized in excess of revenue over expenses.

Transaction costs

The entity recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. FINANCIAL INSTRUMENTS

Risks and concentration

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure at September 30, 2017. The entity is not exposed to any concentration of risks in the current year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is not exposed to any liquidity risk.

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 entity does not have any credit risk as it does not extend credit as part of its normal operations.

**SOUTH SIMCOE ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

2. FINANCIAL INSTRUMENTS - cont.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The entity is not exposed to any currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity is not exposed to any interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The entity is not exposed to other price risk.

3. DEFERRED CONTRIBUTIONS

Deferred contributions reported relate to unrestricted general funds and restricted award funds received in the current period that are related to the subsequent period. Changes in the deferred contributions balance are reported as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 675	\$ 41,500
Deduct: amounts reported as income during the year	(675)	(91,328)
Add: amounts received during the year	<u>1,240</u>	<u>50,503</u>
Balance, end of year	<u>\$ 1,240</u>	<u>\$ 675</u>

**SOUTH SIMCOE ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

4. EXTERNALLY RESTRICTED FUND BALANCES

The externally restricted resources in the Educational fund are \$3,850 (2016 - \$4,550). These funds must be used for the Alice Forrestal Bursary Award.

5. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED FUND BALANCES

In 2017, the internally restricted resources amounted to \$NIL (2016 - \$NIL). In 2017, \$NIL (2016 - \$NIL) was transferred from the Operating fund to the Scholarship fund and \$NIL (2016 - \$NIL) from the Operating fund to the Festival Fund. In 2017, \$2,994 (2016 - \$6,502) was transferred from the Educational fund to the Operating fund and \$4,051 (2016 - \$2,810) from the Educational fund to the Festival fund. The transfers were made to fund the operations and festivals.

6. COMMITMENTS

The organization has a lease for its premises. The lease began October 1, 2015 and requires monthly rent of \$1,850. The lease is for one year with a one year option to renew.

7. CAPITAL

The SSAC considers its capital to be its total restricted and unrestricted net assets. In managing its capital, the council's primary objective is to safeguard its ability to continue as a going concern so it can continue to provide services to the community.

The council maintains its capital by ensuring that annual operating budgets are developed and are approved by the Board of Directors based on known or estimated sources of revenue each year. These budgets are utilized to ensure that the capital of the SSAC is maintained at an appropriate level.

8. SUBSEQUENT EVENTS

The organization has renewed its lease commitment for one year beginning October 1, 2017. The monthly rent of \$1,850 remains the same.