

Report is not dated

HAMILTON ARTISTS INC.
FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of Hamilton Artists Inc.

Qualified Opinion

We have audited the financial statements of Hamilton Artists Inc. (the Organization), which comprise the statement of financial position as at September 30, 2021, and the statements of accumulated surplus, revenue and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2021 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 (ASNPO).

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 these revenues 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 and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2021 and 2020, current assets as at September 30, 2021 and 2020, and net assets as at October 1 and September 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended September 30, 2020 was modified accordingly because of the possible effects of this scope limitation.

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 opinion.

Condominium Act Matter

Emphasis of Matter

Without modifying our opinion, we draw attention to note 12 to the financial statements, concerning the worldwide spread of a novel coronavirus known as COVID-19 prior to year end and ongoing subsequent to year end and its effect on the global economy. Our opinion is not modified in respect of this matter.

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 ASNPO, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT, continued

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 intend 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 the Board of Directors.
- ♦ Conclude on the appropriateness of the Board of Directors' 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Waterdown, Ontario

Chartered Professional Accountants
Licensed Public Accountants

Draft - February 24, 2022

HAMILTON ARTISTS INC.
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash		
Cash - Operating account	\$ 176,478	\$ 170,586
Cash - Bingo trust account, note 2	1,972	3,675
Accounts receivable	65,176	15,045
Prepaid expenses	<u>1,863</u>	<u>1,832</u>
	245,489	191,138
PROPERTY AND EQUIPMENT, note 3	<u>789,549</u>	<u>809,295</u>
	<u>\$ 1,035,038</u>	<u>\$ 1,000,433</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 8,212	\$ 6,507
Deferred revenue and grants, note 4	<u>85,121</u>	<u>79,984</u>
	93,333	86,491
LONG-TERM DEFERRED REVENUE, note 5	240,804	250,839
FORGIVABLE LOAN PAYABLE, note 6	<u>538,027</u>	<u>551,148</u>
	872,164	888,478
ACCUMULATED SURPLUS	<u>162,874</u>	<u>111,955</u>
	<u>\$ 1,035,038</u>	<u>\$ 1,000,433</u>

On behalf of the Board of Directors

Director _____

Director _____

HAMILTON ARTISTS INC.

STATEMENT OF ACCUMULATED SURPLUS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020
Accumulated surplus, beginning of year	\$ 111,955	\$ 63,934
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>50,919</u>	<u>48,021</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 162,874</u>	<u>\$ 111,955</u>

Draft - February 24, 2022

HAMILTON ARTISTS INC.

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020
REVENUE		
Grants, note 7	\$ 246,968	\$ 178,332
Donations	13,891	55,656
Fundraising, interest and other revenue	13,221	27,614
Amortization of forgivable loan	13,121	12,704
Amortization of deferred building renovation grants	10,035	10,452
Memberships	6,166	7,167
Endowment fund, note 8	735	963
	<u>304,137</u>	<u>292,888</u>
EXPENDITURES		
Administrative expenditures, Schedule I	198,993	198,988
Exhibition expenditures, Schedule I	54,225	45,879
	<u>253,218</u>	<u>244,867</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ 50,919</u>	<u>\$ 48,021</u>

HAMILTON ARTISTS INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020
CASH PROVIDED BY (USED FOR) OPERATIONS		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 50,919	\$ 48,021
Amortization	25,559	25,710
Amortization of forgivable loan	(13,121)	(12,704)
Recognition of deferred revenue related to the building	<u>(10,035)</u>	<u>(10,452)</u>
	53,322	50,575
Change in non-cash operating working capital items		
Accounts receivable	(50,131)	3,601
Prepaid expenses	(31)	(69)
Accounts payable and accrued liabilities	1,705	(3,065)
Deferred revenue and grants	<u>5,137</u>	<u>19,930</u>
	10,002	70,972
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(5,813)</u>	<u>(2,039)</u>
CHANGE IN CASH POSITION		
	4,189	68,933
CASH POSITION, BEGINNING OF YEAR		
	<u>174,261</u>	<u>105,328</u>
CASH POSITION, END OF YEAR		
	<u>\$ 178,450</u>	<u>\$ 174,261</u>
CASH POSITION CONSISTS OF:		
Cash - Operating account	\$ 176,478	\$ 170,586
Cash - Bingo trust account	<u>1,972</u>	<u>3,675</u>
	<u>\$ 178,450</u>	<u>\$ 174,261</u>

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NATURE OF OPERATIONS

Hamilton Artists Inc. (the Organization) was incorporated without share capital under the Business Corporations Act (Ontario) on September 14, 1979 and is a registered charity under the Income Tax Act. The Organization is exempt from income tax under paragraph 149 of the Income Tax Act.

The purpose of Hamilton Artists Inc. is to encourage the development of art and to foster a positive and ongoing relationship between the artist and the community by: a) Providing a centre (which will be a social backdrop) for the purpose of exhibitions of art, exchange and cultivation of ideas and the continuing appraisal of skills and concepts, and b) Sponsoring projects and events which will invite community participation and advance the cultural awareness and enrichment of the community as a whole.

I. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition

The Organization uses the deferral method of accounting for contributions. Externally restricted contributions are recognized in the same period in which the expenditure occurs. Donations are recognized when received. Charitable receipts are issued on a cash basis. Unrestricted contributions are recognized when received. Fundraising and other revenue is recognized when service has been performed and collection is reasonably assured.

(b) Forgivable loans and long-term deferred revenue

Government and other grants or forgivable loans related to capital assets are accounted for as deferred government assistance and amortized on the same basis as the related capital assets.

(c) Property and equipment

Property and equipment acquisitions are initially recorded at cost. Amortization is calculated using the declining balance method at the following annual rates:

Building	4%
Computer equipment	50%
Equipment	20%

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

I. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Contributed materials and services

The Organization receives donated materials and contributed services, in the form of volunteer hours. Due to the difficulty in determining their fair value, donated materials and contributed services are not recognized in the financial statements.

(e) 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 liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(f) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable.

The financial liabilities subsequently measured at amortized cost include accounts payable and forgivable loan payable.

2. CASH - BINGO TRUST ACCOUNT

The Bingo trust account includes amounts received for fundraising events held by a local bingo hall and transferred to the Organization by the Alcohol and Gaming Commission of Ontario. These funds are restricted and can only be spent on City approved expenditures.

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

3. PROPERTY AND EQUIPMENT

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 249,100	\$ -	\$ 249,100	\$ -
Building	841,688	308,185	841,688	285,955
Computer equipment	12,552	6,552	6,739	3,459
Equipment	12,223	11,277	12,223	11,041
	<u>1,115,563</u>	<u>326,014</u>	<u>1,109,750</u>	<u>300,455</u>
Net book value	<u>\$ 789,549</u>		<u>\$ 809,295</u>	

4. DEFERRED REVENUE AND GRANTS

	2021	2020
Ontario Arts Council	\$ 28,400	\$ 28,400
Canada Council for the Arts	26,351	10,000
Service Canada - Enabling Accessibility Fund	23,589	-
City of Hamilton	6,000	-
Deferred donations, fundraising and rental revenue	781	3,440
Incite Foundation for the Arts	-	15,000
Tweed Collective	-	15,000
Hamilton Community Foundation - Community Arts Fund	-	5,400
Government of Ontario - Summer program	-	2,744
	<u>\$ 85,121</u>	<u>\$ 79,984</u>

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

5. LONG-TERM DEFERRED REVENUE

Long-term deferred revenue comprises grants previously received for direct use in the building renovations at 155 James Street North, Hamilton, and is recognized in income on the same basis as the amortization of the building.

	<u>2021</u>	<u>2020</u>
Canadian Heritage - original grant was \$237,500	\$ 154,740	\$ 161,188
ArcelorMittal Dofasco - original grant was \$85,000	60,002	62,503
Ontario Trillium Foundation - original grant was \$40,000	26,062	27,148
	<u>\$ 240,804</u>	<u>\$ 250,839</u>

6. FORGIVABLE LOAN PAYABLE

	<u>2021</u>	<u>2020</u>
Due to the City of Hamilton, carrying no interest	\$ 722,500	\$ 722,500
Amortization	<u>(184,473)</u>	<u>(171,352)</u>
	<u>\$ 538,027</u>	<u>\$ 551,148</u>

This forgivable loan was obtained in order to acquire the property at 155 - 157 James Street North, Hamilton. A first mortgage/charge has been registered against the property and the City of Hamilton has been named as a loss payee for insurance obtained on the property. The principal of the loan in the amount of \$722,500 is due on the twentieth annual anniversary date in 2029, provided that no event of default or other event giving rise to the acceleration of the principal sum has occurred. If the loan is continuing on the twentieth anniversary date, the loan will be forgiven. An event of default includes the borrower becoming bankrupt or insolvent, a disposal of any part of the property without consent of the City, the borrower cancels its incorporation or the borrower ceases to use the property for the purposes identified in the loan agreement. Should an event of default occur the principal would become due in full plus 5% of any capital appreciation to the date of the default.

No principal is to be repaid until 2029 or as described in the paragraph above.

The portion of the government loan related to depreciable fixed assets is amortized on the same basis as the underlying assets. The portion related to buildings is amortized using the declining balance method at a rate of 4%.

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

7. GRANTS

The Organization received grants for use in general operations from the following entities:

	<u>2021</u>	<u>2020</u>
City of Hamilton	\$ 59,303	\$ 67,057
Canada Council for the Arts	53,649	48,400
Incite Foundation for the Arts	32,000	15,500
Ontario Arts Council	31,144	28,400
Ontario Small Business Grants - COVID-19	20,000	-
Canada Museum Association	18,750	10,000
Tweed Collective	15,000	-
Hamilton Community Foundation	13,400	4,600
Government of Ontario - Summer program	3,723	915
Department of Canadian Heritage	-	3,460
	<u>\$ 246,969</u>	<u>\$ 178,332</u>

Additional amounts have been received but have been designated as deferred revenue to cover activities of the 2022 fiscal year (Note 4).

8. ENDOWMENT FUND

The Hamilton Artists Inc. Arts Endowment Fund was established by the Ontario Arts Foundation (OAF) under the terms of the Arts Endowment Fund (AEF) Program on the Organization's behalf. The AEF is a program of the Government of Ontario through the Ministry of Culture and administered by the OAF. The Endowment Fund is held by the OAF for the benefit of the Organization and is not an asset of Hamilton Artists Inc.

The Organization receives investment income from the Endowment Fund to be used in operations. During the year the Organization received investment income of \$735 (\$963 in 2020). The market value of the Arts Endowment Fund as at September 30, 2021 was \$16,020 (\$13,834 for 2020).

9. RELATED PARTIES

The Organization is related to all members of the Board of Directors based on their control of the management of the Organization. The Board of Directors receives no compensation for their positions on the Board.

HAMILTON ARTISTS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

10. FINANCIAL INSTRUMENTS AND RISK

The significant financial risk to which the Organization is exposed are credit risk and liquidity risk. It is the Board of Director's opinion that the Organization is not exposed to any other significant risks arising from financial instruments. This assessment of risk is consistent with prior year.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization is exposed to credit risk in connection with the collection of its grants included in accounts receivable. This risk is mitigated by the Organization's efforts to meet all required obligations set out in the grant agreements.

(b) Liquidity risk

Liquidity risk is the risk that the Organization may encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk in respect of its forgivable loan payable, and accounts payable and accrued liabilities. The Organization relies on continued funding through grants, donations, fundraising, memberships and other income.

11. CANADA EMERGENCY WAGE SUBSIDY (CEWS)

During the current year, the Organization received assistance from the Government of Canada in the form of CEWS. The amount received was \$72,775 (2020 - \$18,048). This assistance is directly related to the Organization's wages and has been included in as a reduction to wages and benefits expense in the schedule of expenditures.

12. MATERIAL UNCERTAINTY DUE TO COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. Although this started before the current year end, it has continued after year end and the potential economic effects within the Organization's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Organization's operations.

The extent of the impact of this outbreak and related containment measures on the Organization's operations cannot be reliably estimated at this time.

HAMILTON ARTISTS INC.**SCHEDULE OF EXPENDITURES**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020
ADMINISTRATIVE EXPENDITURES		
Wages and benefits	\$ 125,228	\$ 123,559
Amortization	25,559	25,710
Office and general	13,846	9,205
Property taxes	7,421	7,261
Insurance	6,743	6,284
Professional fees	6,485	5,100
Maintenance, repairs and rentals	4,678	8,522
Utilities	3,482	5,116
Fundraising	2,756	5,440
Telephone	1,521	1,290
Security	601	1,093
Interest and bank charges	573	408
Donations	100	-
	<u>\$ 198,993</u>	<u>\$ 198,988</u>
EXHIBITION EXPENDITURES		
Artists fees	\$ 18,586	\$ 18,216
Community programming	17,527	16,390
Installation	11,933	4,796
Publicity	4,955	4,180
Travel, accommodation and shipping	1,224	2,297
	<u>\$ 54,225</u>	<u>\$ 45,879</u>