

# **HAMILTON ARTISTS INC.**

## **FINANCIAL STATEMENTS**

**30 SEPTEMBER 2016**

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## INDEPENDENT AUDITOR'S REPORT

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To: The Board of Directors of  
Hamilton Artists Inc.

We have audited the accompanying financial statements of Hamilton Artists Inc., which comprise the statement of financial position as at 30 September 2016, and the statements of accumulated surplus, revenue and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' Responsibility for the Financial Statements*

The Board of Directors 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 the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, Hamilton Artists Inc. derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

## INDEPENDENT AUDITOR'S REPORT, continued

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### *Qualified Opinion*

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at 30 September 2016 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.

*Beckett Louder Read, CPA*

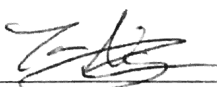
Burlington, Ontario  
27 February 2017


Chartered Professional Accountants  
Licensed Public Accountants

**HAMILTON ARTISTS INC.**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2016

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Bank	\$ 84,583	\$ 79,580
Accounts receivable	<u>12,663</u>	<u>13,073</u>
	97,246	92,653
<b>PROPERTY AND EQUIPMENT, note 2</b>	<u>906,489</u>	<u>934,672</u>
	<u><u>\$ 1,003,735</u></u>	<u><u>\$ 1,027,325</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 4,894	\$ 16,881
Property taxes payable, note 3	31,336	31,379
Deferred revenue and grants, note 4	37,455	27,455
Government remittances payable	<u>2,870</u>	<u>1,347</u>
	76,555	77,062
<b>LONG-TERM DEFERRED REVENUE, note 5</b>	295,331	307,636
<b>FORGIVABLE LOAN PAYABLE, note 6</b>	<u>603,678</u>	<u>618,636</u>
	975,564	1,003,334
<b>ACCUMULATED SURPLUS</b>	<u>28,171</u>	<u>23,991</u>
	<u><u>\$ 1,003,735</u></u>	<u><u>\$ 1,027,325</u></u>

On behalf of the board

Director  \_\_\_\_\_

Director  \_\_\_\_\_

**HAMILTON ARTISTS INC.**  
**STATEMENT OF ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>2016</b>	<b>2015</b>
<b>Accumulated surplus (deficit), beginning of year</b>	<b>\$ 23,991</b>	<b>\$ (18,993)</b>
<b>Excess of revenues over expenditures for the year</b>	<b><u>4,180</u></b>	<b><u>42,984</u></b>
<b>Accumulated surplus, end of year</b>	<b><u><u>\$ 28,171</u></u></b>	<b><u><u>\$ 23,991</u></u></b>

**HAMILTON ARTISTS INC.**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	2016	2015
<b>REVENUES</b>		
Grants	\$ 108,542	\$ 111,061
Fundraising	33,256	32,866
Amortization of forgivable loan	14,958	14,250
Amortization of deferred building renovation grants	12,305	11,985
Memberships	5,710	6,403
Donations	5,204	5,472
Workshops	1,261	-
Endowment fund income	862	578
Rental income	775	1,300
Gifts in kind	-	1,271
	<u>182,873</u>	<u>185,186</u>
<b>EXPENDITURES</b>		
Administrative expenses, Schedule 1	148,613	104,765
Exhibition expenses, Schedule 1	<u>30,080</u>	<u>37,437</u>
	<u>178,693</u>	<u>142,202</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<u><u>\$ 4,180</u></u>	<u><u>\$ 42,984</u></u>

# HAMILTON ARTISTS INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 4,180	\$ 42,984
Amortization	28,183	28,803
Amortization of forgivable loan	(14,958)	(14,250)
Recognition of deferred revenue related to the building	<u>(12,305)</u>	<u>(11,985)</u>
	5,100	45,552
Change in non-cash operating working capital items		
Accounts receivable	410	(7,766)
Accounts payable and accrued liabilities	(11,987)	13,324
Deferred revenue and grants	10,000	12,705
Government remittances payable	1,523	391
Property taxes payable	<u>(43)</u>	<u>(11,714)</u>
	5,003	52,492
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	<u>-</u>	<u>(42,913)</u>
<b>CHANGE IN CASH POSITION</b>	5,003	9,579
<b>CASH POSITION, BEGINNING OF YEAR</b>	<u>79,580</u>	<u>70,001</u>
<b>CASH POSITION, END OF YEAR</b>	<u><u>\$ 84,583</u></u>	<u><u>\$ 79,580</u></u>

# HAMILTON ARTISTS INC.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

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### NATURE OF OPERATIONS

Hamilton Artists Inc. was incorporated without share capital under the Business Corporations Act (Ontario) on 14 September 1979 and is a registered charity under the Income Tax Act. The Corporation 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.
- (b) Sponsoring projects and events which will invite community participation and advance the cultural awareness and enrichment of the community as a whole.

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Deferral method of accounting for contributions

The Organization uses the deferral method of accounting for contributions. Contributions received but restricted externally by the contributor for use in future periods are deferred and then recognized in the same periods in which the expenditures occur. Charitable receipts are issued on a cash basis. Unrestricted contributions are recognized when received. Revenue is recognized for other fundraising activities as funds are received or confirmed as receivable.

#### (b) Contributions

The Organization received in-kind contributions. If the fair value of the in-kind contributions received is reliably measurable, the amounts are recorded as expenditures of the Organization and contributions in-kind. Otherwise no amount is recorded.

#### (c) 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.



**HAMILTON ARTISTS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2016**

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1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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%

In the year of acquisition or disposal of property and equipment, net additions are amortized at one-half the normal rate.

(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.

**HAMILTON ARTISTS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
30 SEPTEMBER 2016

2. PROPERTY AND EQUIPMENT

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 249,100	\$ -	\$ 249,100	\$ -
Building	841,688	187,382	841,688	160,119
Computer equipment	3,552	3,353	3,552	3,154
Equipment	<u>12,223</u>	<u>9,339</u>	<u>12,223</u>	<u>8,618</u>
	<u>1,106,563</u>	<u>200,074</u>	<u>1,106,563</u>	<u>171,891</u>
Net book value	<u>\$ 906,489</u>		<u>\$ 934,672</u>	

3. PROPERTY TAXES PAYABLE

For a few years, the Organization was not paying its property taxes with the expectation that it would qualify for a re-zoning within the City of Hamilton, which would result in a significant reduction in its annual taxes. A partial reduction was allowed in 2015, but the Organization is continuing its efforts to have the property re-zoned, which, if successful, will further reduce the prior year liabilities as well as future property tax expenses. They are currently making payments on the liability but the old balances are still payable. Until the situation is settled, the property taxes are recorded as an expense in full.

4. DEFERRED REVENUE AND GRANTS

	<u>2016</u>	<u>2015</u>
Ontario Arts Council	\$ 27,455	\$ 27,455
Incite Foundation for the Arts	<u>10,000</u>	<u>-</u>
	<u>\$ 37,455</u>	<u>\$ 27,455</u>

# HAMILTON ARTISTS INC.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

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### 5. LONG-TERM DEFERRED REVENUE

Long-term deferred revenue comprises grants 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>2016</u>	<u>2015</u>
ArcelorMittal Dofasco - original grants were \$45,000 and \$40,000	\$ 76,656	\$ 79,017
Canadian Heritage - original grant was \$237,500	197,685	205,922
Ontario Trillium Foundation - original grant was \$40,000	33,295	34,682
Recognized revenue in the current year	<u>(12,305)</u>	<u>(11,985)</u>
	<u>\$ 295,331</u>	<u>\$ 307,636</u>

### 6. FORGIVABLE LOAN PAYABLE

	<u>2016</u>	<u>2015</u>
Due to the City of Hamilton, carrying no interest	\$ 722,500	\$ 722,500
Amortization	<u>(118,822)</u>	<u>(103,864)</u>
	<u>\$ 603,678</u>	<u>\$ 618,636</u>

**HAMILTON ARTISTS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

30 SEPTEMBER 2016

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6. FORGIVABLE LOAN PAYABLE, continued

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 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%.

7. 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 \$612 (\$578 in 2015) and a \$250 one time donation. The market value of the Arts Endowment Fund as at 30 September 2016 was \$14,336 (\$13,603 for 2015).

8. 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**  
**30 SEPTEMBER 2016**

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9. GRANTS

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

	<u>2016</u>	<u>2015</u>
Canada Council for the Arts	\$ 11,000	\$ 21,500
Canada Museum Association	5,087	3,492
City of Hamilton	50,000	52,000
Ontario Arts Council	27,455	28,900
Incite Foundation for the Arts	10,000	5,000
Hamilton Community Foundation	5,000	-
Other	<u>-</u>	<u>169</u>
	<u><u>\$ 108,542</u></u>	<u><u>\$ 111,061</u></u>

Additional amounts have been received but have been designated as deferred revenue to cover activities of the 2017 fiscal year.

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.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk in connection with the collection of its 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 the Organization may not be able to meet their obligations. The Organization is exposed to liquidity risk arising primarily from the forgivable loan payable, and accounts payable and accrued liabilities.

**HAMILTON ARTISTS INC.**  
**SCHEDULE TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**SCHEDULE OF EXPENDITURES**

**Schedule 1**

	2016	2015
<b>ADMINISTRATIVE EXPENSES</b>		
Amortization	\$ 28,183	\$ 28,803
Bookkeeping	920	936
Fundraising expenses	9,742	5,898
Insurance	5,042	4,696
Interest and bank charges	919	331
Maintenance, repairs and rentals	4,892	4,850
Office and general	3,578	2,733
Professional fees	3,950	3,014
Property taxes, note 3	18,133	(11,714)
Salaries and benefits	66,249	59,266
Security	374	400
Telephone	1,117	664
Utilities	5,514	4,888
	<u>\$ 148,613</u>	<u>\$ 104,765</u>
<b>EXHIBITION EXPENSES</b>		
Artists fees	\$ 18,844	\$ 18,517
Community programming	1,837	-
Installation	1,855	7,039
Publicity	4,588	7,606
Travel, accommodation and shipping	2,956	4,275
	<u>\$ 30,080</u>	<u>\$ 37,437</u>