

# **HAMILTON ARTISTS INC.**

## **FINANCIAL STATEMENTS**

SEPTEMBER 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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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, 2022, 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, 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 (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, 2022 and 2021, current assets as at September 30, 2022 and 2021, and net assets as at October 1 and September 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended September 30, 2021 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.

### *Responsibilities of Management and the Board of Directors 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.

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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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### *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.

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.

BLR, LLP

Waterdown, Ontario  
February 2, 2023

Chartered Professional Accountants  
Licensed Public Accountants

**HAMILTON ARTISTS INC.**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT SEPTEMBER 30, 2022

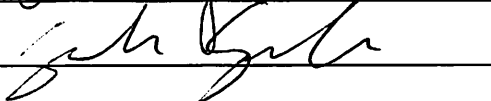
	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash		
Cash - Operating account	\$ 83,964	\$ 176,478
Cash - Bingo trust account, note 3	2,226	1,972
Accounts receivable	3,967	912
HST Public Service Bodies' (PSB) rebate receivable	5,081	66
Prepaid expenses	1,919	1,863
Grants receivable, note 2	<u>70,000</u>	<u>64,198</u>
	<b>167,157</b>	<b>245,489</b>
 PROPERTY AND EQUIPMENT, note 4	 <u><b>774,177</b></u>	 <u><b>789,549</b></u>
	 <u><b>\$ 941,334</b></u>	 <u><b>\$ 1,035,038</b></u>
 <b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 17,599	\$ 8,212
Deferred revenue and grants, note 5	<u>58,997</u>	<u>85,121</u>
	<b>76,596</b>	<b>93,333</b>
 LONG-TERM DEFERRED REVENUE, note 6	 <b>231,169</b>	 <b>240,804</b>
FORGIVABLE LOAN PAYABLE, note 7	<u><b>523,869</b></u>	<u><b>538,027</b></u>
	<b>831,634</b>	<b>872,164</b>
 <b>ACCUMULATED SURPLUS</b>	 <u><b>109,700</b></u>	 <u><b>162,874</b></u>
	<u><b>\$ 941,334</b></u>	<u><b>\$ 1,035,038</b></u>

On behalf of the Board of Directors

Director



Director



The accompanying notes form an integral part of these financial statements

# **HAMILTON ARTISTS INC.**

## **STATEMENT OF ACCUMULATED SURPLUS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<b>2022</b>	<b>2021</b>
<b>Accumulated surplus, beginning of year</b>	<b>\$ 162,874</b>	<b>\$ 111,955</b>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<b><u>(53,174)</u></b>	<b><u>50,919</u></b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b><u>\$ 109,700</u></b>	<b><u>\$ 162,874</u></b>

# **HAMILTON ARTISTS INC.**

## **STATEMENT OF REVENUE AND EXPENDITURES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<b>2022</b>	<b>2021</b>
<b>REVENUE</b>		
Grants, note 8	\$ 247,132	\$ 246,968
Donations	7,878	13,891
Fundraising, interest and other revenue	22,892	13,221
Amortization of forgivable loan	14,158	13,121
Amortization of deferred building renovation grants	9,635	10,035
Memberships	6,355	6,166
Endowment fund, note 9	785	735
	<u>308,835</u>	<u>304,137</u>
<b>EXPENDITURES</b>		
Administrative expenditures, Schedule I	281,931	198,993
Exhibition expenditures, Schedule I	80,078	54,225
	<u>362,009</u>	<u>253,218</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<u>\$ (53,174)</u>	<u>\$ 50,919</u>

# HAMILTON ARTISTS INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenditures	\$ (53,174)	\$ 50,919
Amortization	24,716	25,559
Amortization of forgivable loan	(14,158)	(13,121)
Recognition of deferred revenue related to the building	<u>(9,635)</u>	<u>(10,035)</u>
	(52,251)	53,322
Change in non-cash operating working capital items		
Accounts receivable	(3,055)	11,949
HST Public Service Bodies' (PSB) rebate receivable	(5,015)	2,118
Prepaid expenses	(56)	(31)
Grants receivable	(5,802)	(64,198)
Accounts payable and accrued liabilities	9,387	1,705
Deferred revenue and grants	<u>(26,124)</u>	<u>5,137</u>
	(82,916)	10,002
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	<u>(9,344)</u>	<u>(5,813)</u>
<b>CHANGE IN CASH POSITION</b>	(92,260)	4,189
<b>CASH POSITION, BEGINNING OF YEAR</b>	<u>178,450</u>	<u>174,261</u>
<b>CASH POSITION, END OF YEAR</b>	<u><u>\$ 86,190</u></u>	<u><u>\$ 178,450</u></u>
<b>CASH POSITION CONSISTS OF:</b>		
Cash - Operating account	\$ 83,964	\$ 176,478
Cash - Bingo trust account	<u>2,226</u>	<u>1,972</u>
	<u><u>\$ 86,190</u></u>	<u><u>\$ 178,450</u></u>

# HAMILTON ARTISTS INC.

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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### 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. See notes 6 and 7.

(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, 2022

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### 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. GRANTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Federal Government	\$ 70,000	\$ 52,337
Municipal Government	<u>-</u>	<u>11,861</u>
	<u>\$ 70,000</u>	<u>\$ 64,198</u>

# HAMILTON ARTISTS INC.

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

### 3. 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.

### 4. PROPERTY AND EQUIPMENT

	<b>2022</b>		<b>2021</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
Land	\$ 249,100	\$ -	\$ 249,100	\$ -
Building	851,032	329,712	841,688	308,185
Computer equipment	12,552	9,552	12,552	6,552
Equipment	12,223	11,466	12,223	11,277
	<b>1,124,907</b>	<b>350,730</b>	<b>1,115,563</b>	<b>326,014</b>
Net book value	<b>\$ 774,177</b>		<b>\$ 789,549</b>	

### 5. DEFERRED REVENUE AND GRANTS

	<b>2022</b>	<b>2021</b>
Ontario Arts Council	\$ 30,390	\$ 28,400
Canada Council for the Arts	17,500	26,351
Service Canada - Enabling Accessibility Fund	11,107	23,589
City of Hamilton	-	6,000
Deferred donations, fundraising and rental revenue	-	781
	<b>\$ 58,997</b>	<b>\$ 85,121</b>

# HAMILTON ARTISTS INC.

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

### 6. 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>2022</u>	<u>2021</u>
Canadian Heritage - original grant was \$237,500	\$ 148,550	\$ 154,740
ArcelorMittal Dofasco - original grant was \$85,000	57,602	60,002
Ontario Trillium Foundation - original grant was \$40,000	<u>25,017</u>	<u>26,062</u>
	<u>\$ 231,169</u>	<u>\$ 240,804</u>

### 7. FORGIVABLE LOAN PAYABLE

	<u>2022</u>	<u>2021</u>
Due to the City of Hamilton, carrying no interest	\$ 722,500	\$ 722,500
Amortization	<u>(198,631)</u>	<u>(184,473)</u>
	<u>\$ 523,869</u>	<u>\$ 538,027</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, 2022

### 8. GRANTS

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

	<u>2022</u>	<u>2021</u>
Canada Council for the Arts	\$ 78,852	\$ 53,649
City of Hamilton	52,512	59,303
Ontario Arts Council	52,050	31,144
Canada Museum Association	20,620	18,750
Incite Foundation for the Arts	20,000	32,000
Enabling Accessibility Fund (Service Canada)	12,481	-
Ontario Small Business Grants - COVID-19	10,000	20,000
Government of Ontario - Ministry of Children, Community and Social Services	617	-
Tweed Collective	-	15,000
Hamilton Community Foundation	-	13,400
Government of Ontario - Summer program	-	3,723
	<u>\$ 247,132</u>	<u>\$ 246,969</u>

Additional amounts have been received but have been designated as deferred revenue to cover activities of the 2023 fiscal year (Note 5).

### 9. 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 \$785 (\$735 in 2021). The market value of the Arts Endowment Fund as at September 30, 2022 was \$13,387 (\$16,020 for 2021).

# **HAMILTON ARTISTS INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2022

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### **10. 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.

### **11. 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.

### **12. 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 \$2,739 (2021 - \$72,775). 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.

### **13. COMPARATIVE FIGURES**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's surplus.

**HAMILTON ARTISTS INC.****SCHEDULE OF EXPENDITURES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
<b>ADMINISTRATIVE EXPENDITURES</b>		
Wages and benefits	\$ 193,567	\$ 125,228
Office and general	26,056	13,846
Amortization	24,716	25,559
Insurance	7,627	6,743
Property taxes	7,621	7,421
Professional fees	7,610	6,485
Maintenance and repairs	4,812	4,678
Utilities	4,106	3,482
Fundraising	2,682	2,756
Telephone	1,323	1,521
Donations	1,050	100
Interest and bank charges	516	573
Security	245	601
	<u>\$ 281,931</u>	<u>\$ 198,993</u>
<b>EXHIBITION EXPENDITURES</b>		
Artists fees	\$ 41,143	\$ 18,586
Publicity	16,320	4,955
Installation	8,656	11,933
Community programming	7,059	17,527
Travel, accommodation and shipping	6,900	1,224
	<u>\$ 80,078</u>	<u>\$ 54,225</u>