

**CABBAGETOWN COMMUNITY ARTS CENTRE INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2017**



**David Burkes, B. Com, CPA, CA•IFA, CFF**



## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of  
Cabbagetown Community Arts Centre Inc.**

I have audited the accompanying financial statement of Cabbagetown Community Arts Centre Inc., which comprise the statement of financial position as at August 31, 2017, the statement of operations and net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies applicable to not for profit organizations and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management 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 management 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*

My responsibility is to express an opinion on these financial statements based on our audit. I conducted our audit in accordance with Canadian generally accepted auditing standards for not for profit organizations. Those standards require that I 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the organization derives revenue from program fees, fundraising and donation revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to program fees, fundraising and donation revenues, expenses, assets, liabilities and net assets.

### *Qualified Opinion*

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Cabbagetown Community Arts Centre Inc., as at August 31, 2017, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not for profit organizations.



Richmond Hill, Ontario  
June 27, 2018

Chartered Professional Accountant  
Licensed Public Accountant





**CABBAGETOWN COMMUNITY ARTS CENTRE INC.**

**STATEMENT OF FINANCIAL POSITION**

**AS AT AUGUST 31, 2017**

**ASSETS**

	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><u>CURRENT</u></b>		
Cash	\$ 10,216	\$ -
Accounts Receivable	3,978	2,554
HST Receivable	8,218	7,945
	<u>\$ 22,412</u>	<u>\$ 10,499</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT</u></b>		
Bank Indebtedness	\$ -	\$ 7,916
Accounts Payable and Accrued Charges	30,183	16,768
Source Deductions Payable	4,007	3,069
Deferred Grant (Note 7)	25,000	25,000
Deferred Income	950	-
	<u>60,140</u>	<u>52,753</u>
<b><u>NET ASSETS</u></b>	<u>( 37,728 )</u>	<u>( 42,254 )</u>
	<u>\$ 22,412</u>	<u>\$ 10,499</u>

**APPROVED BY THE BOARD:**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

*(See Accompanying Notes)*



CABBAGETOWN COMMUNITY ARTS CENTRE INC.

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>
<u>REVENUE</u>		
Grants (Note 2)	\$ 25,000	\$ 25,000
Fundraising	50,825	41,716
Donations - Individual	15,548	10,947
Donations - Corporate	23,800	25,300
Foundations (Note 3)	18,500	18,525
Program and Other Fees	61,409	74,246
Other Revenue	1,382	2,500
	<u>196,464</u>	<u>198,234</u>
<u>EXPENSES</u>		
Program Instruction	59,778	64,845
Program Supplies	-	1,549
Salaries and Benefits	50,181	35,456
Office and General	7,099	8,076
Occupancy Costs	65,338	68,806
Fundraising Expenses	2,201	-
Professional Fees	3,175	4,225
Interest and Bank Charges	4,166	3,006
	<u>191,938</u>	<u>185,963</u>
<u>EXCESS OF REVENUE OVER EXPENSES</u>	4,526	12,271
<u>NET ASSETS</u> , Beginning of the Year	<u>( 42,254 )</u>	<u>( 54,525 )</u>
<u>NET ASSETS</u> , End of the Year	<u>\$ ( 37,728 )</u>	<u>\$ ( 42,254 )</u>

*(See Accompanying Notes)*



CABBAGETOWN COMMUNITY ARTS CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess of Revenue over Expenses	\$ <u>4,526</u>	\$ <u>12,271</u>
<u>Changes in Non-Cash Operating Working Capital</u>		
Accounts Receivable	( 1,424 )	( 2,554 )
HST Receivable	( 273 )	19,409 )
Prepaid Expenses	-	-
Accounts Payable and Accrued Charges	13,415	( 13,949 )
Source Deductions Payable	938	( 14,717 )
Deferred Income	950	-
	<u>13,606</u>	<u>( 11,811 )</u>
<u>INCREASE IN CASH DURING YEAR</u>	18,132	460
<u>(BANK INDEBTEDNESS), Beginning of the Year</u>	<u>( 7,916 )</u>	<u>( 8,376 )</u>
<u>CASH (BANK INDEBTEDNESS), End of the Year</u>	<u>\$ 10,216</u>	<u>\$ ( 7,916 )</u>
<u>CASH AND CASH EQUIVALENTS REPRESENTED BY:</u>		
Cash (Bank Indebtedness)	<u>\$ 10,216</u>	<u>\$ ( 7,916 )</u>

*(See Accompanying Notes)*





**CABBAGETOWN COMMUNITY ARTS CENTRE INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2017**

**PURPOSE OF ORGANIZATION:**

Cabbagetown Community Arts Centre Inc. is a not for profit corporation without share capital under the Corporations Act of Ontario. The Organization offers instruction in music, drama, sculpture and painting to give children from low-income families an opportunity to learn and perform, work in groups and create art. The Organization is a registered Canadian Charitable Organization under the Income Tax Act (Canada) and is exempt from income taxes. The Organization's registration number is 129452769RR0001.

**1. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the organization are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and their basis of application is consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

**a) Donated Materials and Services**

Donated materials and services are not recorded in these financial statements.

**b) Revenue Recognition and Deferred Contributions**

The Centre receives government grants for the projects, which it undertakes. Grant revenue is recognized to the extent that expenses have been incurred for the projects. Revenue is deferred for the project expenses, which have yet to be incurred. Grant revenue is recorded on the accrual basis, i.e. as earned. Fundraising, rental and donation revenues are recorded on the cash basis.

Fee for service revenue is accounted for on the accrued basis.

**c) Equipment**

Equipment costing under \$5,000 is recorded as an expense in the year of purchase.

**d) Capital Assets and Amortization**

Capital assets are recorded at cost. Amortization is provided as follows:

Leasehold Improvements	Amortized over 60 months
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**CABBAGETOWN COMMUNITY ARTS CENTRE INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**e) Financial Instruments**

The organization's financial instruments consist of cash, accounts receivable, and accounts payable. Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair market value of a financial asset is other than temporary, the financial instrument is written down to its fair market value. Unless otherwise indicated, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair market value of these instruments approximate recorded amounts because of the short period to receipt or payment of cash.

**2. GRANTS:**

Grant revenue is summarized as follows:

	<u>2017</u>	<u>2016</u>
Toronto Arts Council	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**3. FOUNDATIONS:**

Foundation revenues are compromised as follows:

	<u>2017</u>	<u>2016</u>
Jackman Foundation	\$ 10,000	\$ 10,000
The Ben and Hilda Katz Foundation	5,000	5,000
The Henry White Kinnear Foundation	3,000	1,500
Jumpstart	200	-
Other	300	1,025
The McLean Foundation	-	1,000
	<u>\$ 18,500</u>	<u>\$ 18,525</u>



**CABBAGETOWN COMMUNITY ARTS CENTRE INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2017**

**4. LEASE COMMITMENT:**

The organization's net annual minimum lease payments to the expiry of the lease, October 31, 2019, are as follows:

2018	\$ 42,130
2019	\$ 43,386

**5. USE OF ESTIMATES:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**6. CAPITAL MANAGEMENT:**

The Board includes cash, accounts receivable, accounts payable, and fund balances in its capital management consideration. The Board's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate.

**7. DEFERRED GRANT:**

Deferred Grant is analyzed as follows:

	<u>2017</u>	<u>2016</u>
Toronto Arts Council	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**8. ECONOMIC DEPENDANCY:**

The Centre is dependent on government grants and fundraising for continued operations. The Centre is embarking on a deficit reduction plan in order to ensure continued operations.