ART NOT SHAME

Financial Statements

Year Ended June 30, 2021

ART NOT SHAME
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Year Ended June 30, 2021

RAPKIN WEIN LLP
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Art Not Shame

Qualified Opinion

We have audited the financial statements of Art Not Shame (the organization), which comprise the statement of financial position as at June 30, 2021, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2021, and the results of its operations and 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 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June, 30, 2021 and 2020, current assets as at June 30, 2021 and 2020 and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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 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 audit opinion.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which describes that Art Not Shame adopted ASNPO on July 1, 2020. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at June 30, 2020 and July 1, 2019, and the statements of changes in net assets, revenues and expenditures and cash flows for the year ended June 30, 2020 and related disclosures. 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

(continues)

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 intends 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 management.
- Conclude on the appropriateness of management's 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.

Rapkin Wein LLP

Toronto, Ontario
November 17, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ART NOT SHAME
Statement of Financial Position
June 30, 2021

		June 30 2021		June 30 2020 (Unaudited)		July 1 2019 (Unaudited)
ASSETS						
CURRENT						
Cash	**$**	**186,115**	$	56,833	$	8,484
Investments		**5,000**		5,000		5,000
Contributions receivable		**-**		1,013		600
Harmonized sales tax recoverable		**1,879**		-		-
Prepaid expenses		**4,036**		-		-
		197,030		62,846		14,084
EQUIPMENT *(Note 4)*		**5,000**		-		-
	$	**202,030**	$	62,846	$	14,084
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued liabilities	**$**	**48,879**	$	17,689	$	2,931
Government remittances payable		**2,087**		-		-
Deferred contributions *(Note 5)*		**40,440**		22,240		-
		91,406		39,929		2,931
LONG TERM DEBT *(Note 6)*		**40,000**		-		-
		131,406		39,929		2,931
LEASE COMMITMENTS *(Note 7)*						
NET ASSETS (unrestricted)		**70,624**		22,917		11,153
	$	**202,030**	$	62,846	$	14,084

APPROVED BY THE DIRECTORS

E A Jackson ________ *Director*

________ *Director*

See accompanying notes

ART NOT SHAME

Statement of Revenues and Expenditures

Year Ended June 30, 2021

		2021		2020 *(Unaudited)*
REVENUES				
Contributions	**$**	**106,051**	$	116,281
Donations		**98,921**		-
Grants		**48,897**		3,484
Other		**20,970**		3,930
Programming		**4,781**		10,103
		279,620		133,798
EXPENSES				
Contractors		**116,635**		78,149
Wages and benefits		**67,660**		10,000
Professional fees		**21,190**		9,132
Office and general		**13,782**		9,376
Occupancy *(Note 8)*		**4,416**		4,388
Workshop expenses		**4,294**		5,727
Insurance		**1,958**		2,835
Advertising and promotion		**1,716**		738
Interest and bank charges		**262**		233
Merchandise		**-**		1,395
Travel		**-**		61
		231,913		122,034
EXCESS OF REVENUES OVER EXPENSES	**$**	**47,707**	$	11,764

See accompanying notes

ART NOT SHAME

Statement of Changes in Net Assets

Year Ended June 30, 2021

	2021	2020 *(Unaudited)*
NET ASSETS - BEGINNING OF YEAR	**$ 22,917**	$ 11,153
EXCESS OF REVENUES OVER EXPENSES	**47,707**	11,764
NET ASSETS - END OF YEAR	**$ 70,624**	$ 22,917

See accompanying notes

ART NOT SHAME
Statement of Cash Flows
Year Ended June 30, 2021

	2021	2020 (Unaudited)
OPERATING ACTIVITIES		
Excess of revenues over expenses	**$ 47,707**	$ 11,764
Changes in non-cash working capital:		
Contributions receivable	**1,013**	(413)
Prepaid expenses	**(4,036)**	-
Accounts payable and accrued liabilities	**31,190**	14,758
Income taxes payable	**2,087**	-
Deferred contributions	**18,200**	22,240
Harmonized sales tax payable	**(1,879)**	-
	46,575	36,585
Cash flow from operating activities	**94,282**	48,349
INVESTING ACTIVITY		
Purchase of equipment	**(5,000)**	-
FINANCING ACTIVITY		
Proceeds from long term debt	**40,000**	-
INCREASE IN CASH FLOW	**129,282**	48,349
Cash - beginning of year	**56,833**	8,484
CASH - END OF YEAR	**$ 186,115**	$ 56,833

See accompanying notes

1. PURPOSE OF THE ORGANIZATION

Art Not Shame (the "organization") is a not-for-profit organization incorporated in Ontario without share capital under the Not-for-profit Corporations Act of Ontario. The organization's purpose is to use the arts to build community, deepen our access to creativity, increase well-being and create the conditions for inner and outer change.

As a registered charity, the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act. The organization is authorized to issue tax receipts for donations received.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

In accordance with FIRST TIME ADOPTION, Section 1501, for first-time adopters of this basis of accounting, the impact of adopting these standards are accounted for in net assets at the date of transition, July 1, 2019, which is the beginning of the first fiscal period for comparative purposes. On adoption of the new standards there have been no valuation changes that would require restatement of either opening net assets as at the transition date, or for the comparative amounts presented in the statement of financial position or the statement of revenue and expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of presentation</u>

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

<u>Revenue recognition</u>

Art Not Shame follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Contributions receivable are recognized when collection is reasonably assured.

Program income and merchandise sales are recognized as revenue when the workshops are held and merchandise is sold.

<u>Equipment</u>

Equipment is stated at cost or deemed cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Computer equipment	30%	declining balance method

No amortization was recorded in these financial statements as the assets have not yet been put into use.

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3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Government assistance

Government assistance received or receivable in connection with the Government of Canada COVID-19 response and other programs are accounted for as operating grants and are recognized as revenue in the period in which they are earned when there is reasonable assurance that the organization has complied, and will continue to comply, with the conditions associated with the assistance. The amount of government assistance is recorded as a direct decrease in expenses when it relates to a specific expense.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates were applied in determining accrued liabilities. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. EQUIPMENT

	Cost	Accumulated amortization	**2021 Net book value**	2020 Net book value
Computer equipment	$ 5,000	$ -	**$ 5,000**	$ -

5. DEFERRED CONTRIBUTIONS

The organization receives contributions that are restricted to various projects. The amounts received are deferred until the project has taken place.

	Operations	Programs	Total Column
Opening balance	$ -	$ 22,240	$ 22,240
Contributions	6,500	33,940	40,440
Revenue	-	(22,240)	(22,240)
	$ 6,500	$ 33,940	$ 40,440

6. LONG TERM DEBT

	2021	2020
Canada Emergency Business Account (CEBA) loans of $60,000 received. The loan has been provided by the Government of Canada to businesses impacted by the COVID-19 pandemic that meet certain criteria. 25% of the loan will be forgiven if paid before December 31, 2022 and is interest free up to this date. The forgiveness portion of 25% or a total of $20,000, is recorded in other income.	**$ 40,000**	$ -
	$ 40,000	$ -

7. LEASE COMMITMENTS

The organization leases premises under a long term lease that expires on August 31, 2022. Under the lease, the organization is required to pay a base rent of $450 per month.

2022	$ 5,400
2023	900
	$ 6,300

8. RELATED PARTY TRANSACTIONS

No remuneration was paid to the Board of Directors during the year.

The organization paid occupancy costs to 9138706 Canada Inc. which is a company controlled by the executive director.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. COVID-19 PANDEMIC

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy, such as travel restrictions, closures of non-essential businesses, imposition of quarantines and physical distancing.

The organization has adapted to this pandemic by changing in person workshops to a virtual delivery. These workshops are highly sought after during the pandemic as a result of travel restrictions and physical distancing.

Due to the dynamic nature of the COVID-19 crisis, it is impossible to predict the impact this may have on the organization's operations, cash flows and financial position going forward. Management continues to monitor the situation and will reflect the impact in the financial statements as appropriate.

10. **FINANCIAL INSTRUMENTS**

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of June 30, 2021.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization's cash and contributions receivable is exposed to credit risk. The organization manages this risk by placing its cash with high quality institutions.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its long-term debt and accounts payable and accrued liabilities.