

ART NOT SHAME
Financial Statements
Year Ended June 30, 2022

ART NOT SHAME
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Year Ended June 30, 2022

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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, 2022, 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, 2022, 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021 and net assets as at July 1 and June 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 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.

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.

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.

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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 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
January 18, 2023


CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ART NOT SHAME
Statement of Financial Position
June 30, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 99,863	\$ 186,115
Investments	5,000	5,000
Contributions receivable	18,740	-
Harmonized sales tax recoverable	6,065	1,879
Prepaid expenses	12,627	4,036
	<u>142,295</u>	197,030
EQUIPMENT (Note 3)	<u>7,333</u>	5,000
	<u>\$ 149,628</u>	<u>\$ 202,030</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 27,362	\$ 48,879
Government remittances payable	2,616	2,087
Deferred contributions (Note 4)	33,678	40,440
	<u>63,656</u>	91,406
LONG TERM DEBT (Note 5)	<u>40,000</u>	40,000
	<u>103,656</u>	131,406
NET ASSETS (unrestricted)	<u>45,972</u>	70,624
	<u>\$ 149,628</u>	<u>\$ 202,030</u>

APPROVED BY THE DIRECTORS


 _____ Director


 _____ Director

See accompanying notes

ART NOT SHAME
Statement of Revenues and Expenditures
Year Ended June 30, 2022

	2022	2021
REVENUES		
Grants	\$ 122,476	\$ 48,897
Donations	101,024	98,921
Contributions	36,737	106,051
Programming	14,500	4,781
Other	8	20,970
	<u>274,745</u>	<u>279,620</u>
EXPENSES		
Wages and benefits	114,858	67,660
Contractors	103,856	116,635
Professional fees	35,565	21,190
Advertising and promotion	13,910	1,716
Office and general	11,807	13,782
Workshop expenses	6,746	4,294
Occupancy (Note 7)	5,613	4,416
Insurance	3,134	1,958
Amortization	2,029	-
Repairs and maintenance	1,385	-
Interest and bank charges	494	262
	<u>299,397</u>	<u>231,913</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (24,652)</u>	<u>\$ 47,707</u>

See accompanying notes

ART NOT SHAME

Statement of Changes in Net Assets

Year Ended June 30, 2022

	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 70,624	\$ 22,917
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(24,652)</u>	<u>47,707</u>
NET ASSETS - END OF YEAR	<u>\$ 45,972</u>	<u>\$ 70,624</u>

See accompanying notes

ART NOT SHAME
Statement of Cash Flows
Year Ended June 30, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (24,652)	\$ 47,707
Item not affecting cash:		
Amortization of equipment	2,029	-
	<u>(22,623)</u>	<u>47,707</u>
Changes in non-cash working capital:		
Contributions receivable	(18,740)	1,013
Prepaid expenses	(8,591)	(4,036)
Accounts payable and accrued liabilities	(21,517)	31,190
Income taxes payable	529	2,087
Deferred contributions	(6,762)	18,200
Harmonized sales tax receivable	(4,186)	(1,879)
	<u>(59,267)</u>	<u>46,575</u>
Cash flow from (used by) operating activities	<u>(81,890)</u>	<u>94,282</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(4,362)</u>	<u>(5,000)</u>
FINANCING ACTIVITY		
Proceeds from long term debt	<u>-</u>	<u>40,000</u>
INCREASE (DECREASE) IN CASH FLOW	(86,252)	129,282
Cash - beginning of year	<u>186,115</u>	<u>56,833</u>
CASH - END OF YEAR	\$ 99,863	\$ 186,115

See accompanying notes

ART NOT SHAME

Notes to Financial Statements

Year Ended June 30, 2022

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 in Guelph and across Ontario.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Revenue recognition

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.

Equipment

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
Furniture and fixtures	20%	declining balance method

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.

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ART NOT SHAME
Notes to Financial Statements
Year Ended June 30, 2022

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

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.

3. EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	\$ 6,870	\$ 1,780	\$ 5,090	\$ 5,000
Furniture and fixtures	2,492	249	2,243	-
	<u>\$ 9,362</u>	<u>\$ 2,029</u>	<u>\$ 7,333</u>	<u>\$ 5,000</u>

4. 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
Opening balance	\$ 6,500	\$ 33,940	\$ 40,440
Contributions	9,500	24,178	33,678
Revenue	(6,500)	(33,940)	(40,440)
	<u>\$ 9,500</u>	<u>\$ 24,178</u>	<u>\$ 33,678</u>

5. LONG TERM DEBT

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, 2023 and is interest free up to this date.

	2022	2021
	<u>\$ 40,000</u>	<u>\$ 40,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>

ART NOT SHAME

Notes to Financial Statements

Year Ended June 30, 2022

6. LEASE COMMITMENTS

During the year, the organization entered into a long term lease with respect to its premises with payments starting in 2023. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at year end are as follows:

2023	\$	31,224
2024		31,224
2025		36,428
2026		36,428
2027		36,428
Thereafter		41,198
		<u>41,198</u>
	\$	<u>212,930</u>

7. RELATED PARTY TRANSACTIONS

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

The organization paid occupancy costs in the amount of \$5,612 (2021 - \$4,416) 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.

8. 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.

ART NOT SHAME
Notes to Financial Statements
Year Ended June 30, 2022

9. 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, 2022.

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.