

P.E.I. Arts Guild Inc.

Financial Statements
March 31, 2022



Member of The AC Group of Independent Accounting Firms

May 31, 2022

Independent Auditor's Report

To the Directors of P.E.I. Arts Guild Inc.

Qualified Opinion

We have audited the financial statements of P.E.I. Arts Guild Inc., which comprise the statement of financial position as at March 31, 2022, and the statements of operations, 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 P.E.I. Arts Guild Inc. as at March 31, 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.

Basis of Qualified Opinion

In common with many charities, P.E.I. Arts Guild Inc. derives revenue from donations and sponsorships, 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 P.E.I. Arts Guild Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations and sponsorships revenue, excess revenues, and cash flows from operations for the years ended March 31, 2022 and March 31, 2021, current assets as at March 31, 2022 and March 31, 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in 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 P.E.I. Arts Guild Inc. 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 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 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.

In preparing the financial statements, management is responsible for assessing P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc. 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

P.E.I. Arts Guild Inc.
Statement of Financial Position
As at March 31, 2022

	2022 \$	2021 \$
Assets (note 5)		
Current assets		
Cash	118,818	97,770
Accounts receivable	3,869	7,824
Government contributions receivable	72,389	40,553
HST receivable	2,953	-
Inventory	2,122	2,122
Prepaid expenses	10,610	8,636
	210,761	156,905
Capital assets (note 3)	464,064	541,329
	674,825	698,234
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	25,763	19,697
HST payable	-	2,208
Advance ticket sales deposits	10,946	1,945
	36,709	23,850
Deferred capital contributions (note 4)	439,133	510,829
	475,842	534,679
Contingency (note 8)		
Net Assets		
Unrestricted	198,983	163,555
	674,825	698,234

Approved by the Board of Directors

_____ Director

_____ Director

P.E.I. Arts Guild Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2022

	2022	2021
	\$	\$
Net assets - Beginning of year	163,555	105,370
Excess revenue for the year	35,428	58,185
Net assets - End of year	<u>198,983</u>	<u>163,555</u>

P.E.I. Arts Guild Inc.
Statement of Operations
For the year ended March 31, 2022

	2022	2021
	\$	\$
Revenue		
Government contributions		
Province of Prince Edward Island: operational	58,000	58,000
Programming grants	72,500	81,000
Property tax	25,337	20,628
Wage subsidy	112,798	91,831
City of Charlottetown - operational	55,000	55,000
Canadian Heritage	5,500	5,500
Sales - performance hall bar	16,468	7,812
Ticket surcharges	17,364	5,092
Facility fee	7,026	4,920
Performance hall fees	142,044	76,869
Premises rents	53,684	56,578
Donations and sponsorships	44,132	13,925
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	609,853	477,155
Expenses		
Performance hall bar supplies	13,087	9,404
Wages and benefits	478,472	321,874
Property tax	25,337	20,638
Bookkeeping services	21,350	19,200
Professional fees	4,977	6,000
Marketing and advertising	27,717	17,489
Office	16,498	15,206
Service charges	9,625	5,156
Music theatre school	20,831	15,397
Insurance	12,536	11,552
Interest and bank charges	1,372	1,177
Business development and meetings	2,981	3,817
Repairs and maintenance	25,235	23,383
Telephone and internet	7,467	7,145
Utilities	48,418	37,413
Special projects	46,432	32,482
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	762,335	547,333
Operating loss	<hr/>	<hr/>
	(152,482)	(70,178)
Other income (expense)		
Amortization of capital assets	(78,500)	(78,376)
Amortization of deferred capital contributions	71,695	71,695
Government assistance (note 7)	194,715	135,044
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	187,910	128,363
Excess revenue for the year	<hr/>	<hr/>
	35,428	58,185

P.E.I. Arts Guild Inc.
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	35,428	58,185
Items not affecting cash		
Amortization of capital assets	78,500	78,376
Amortization of deferred capital contributions	(71,695)	(71,695)
	<u>42,233</u>	<u>64,866</u>
Net change in non-cash working capital items		
Decrease in accounts receivable	3,955	8,868
Increase in government contributions receivable	(31,837)	(39,668)
Increase in HST receivable	(2,953)	-
Increase in inventory	-	(725)
Decrease (increase) in prepaid expenses	(1,974)	766
Increase (decrease) in accounts payable and accrued liabilities	6,066	(7,476)
Decrease in HST payable	(2,208)	(8,200)
Increase (decrease) in advance ticket sales deposits	9,001	(1,041)
Decrease in deferred revenue	-	(1,200)
	<u>22,283</u>	<u>16,190</u>
Financing activities		
Increase in demand loan	10,000	30,000
Payments on demand loan	(10,000)	(30,000)
	<u>-</u>	<u>-</u>
Investing activity		
Increase in capital assets	(1,235)	(11,595)
	<u>21,048</u>	<u>4,595</u>
Increase in cash	<u>21,048</u>	<u>4,595</u>
Cash - Beginning of year	<u>95,688</u>	<u>91,093</u>
Cash - End of year	<u>116,736</u>	<u>95,688</u>

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2022

1 Purpose of the organization

P.E.I. Arts Guild Inc.'s vision is to operate a facility in Charlottetown dedicated, through provision of a subsidized space, training and personnel, to the support of emerging and established Prince Edward Island artists to produce their art and present it to their fellow Islanders. P.E.I. Arts Guild Inc. is a registered Canadian charity and accordingly is not taxable under the provisions of the Income Tax Act.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash

Cash is comprised of cash in bank accounts.

Inventory

Inventory is valued at the lower of cost, using the first-in first-out method, and market value.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on date of receipt.

Amortization of capital assets is calculated using the straight-line method as follows:

Building	10%
Building improvements	10%
Equipment	10%

Building improvements were formerly leasehold improvements prior to transfer of the land and building in 2018. Additions to the building have been included in the building account starting in 2019.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is in excess of the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Deferred capital contributions

Amortization of deferred capital contributions is calculated on the same basis as the related capital assets.

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2022

Revenue recognition

The organization 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 they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. When the organization is not acting as principal in a transaction, it recognizes only the net amount received.

Government assistance

Government assistance related to operations is recorded as other income in the Statement of Operations.

Use of estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and inventory, and the estimated useful life of capital assets. Actual results could differ from those estimates.

Financial instruments

(a) Measurement of financial instruments

P.E.I. Arts Guild Inc.'s financial instruments consist of cash, accounts receivable, government contributions receivable and accounts payable and accrued liabilities.

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue for the year.

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2022

(c) Risks

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The organization is exposed to credit risk in connection with the collection of accounts receivable. The organization mitigates this risk by performing continuous evaluation of its accounts receivable.
- ii) Liquidity risk: The organization's exposure to liquidity risk is dependent on the timing of receipt of revenue and payment of expenses, and the sale of inventory and collection of accounts receivable to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

3 Capital assets

			2022	2021
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	143,000	-	143,000	143,000
Building	431,268	199,456	231,812	274,966
Building improvements	1,041,774	991,110	50,664	73,293
Equipment	386,712	348,124	38,588	50,070
	2,002,754	1,538,690	464,064	541,329

4 Deferred capital contributions

			2022	2021
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	143,000	-	143,000	143,000
Building	288,000	144,000	144,000	172,800
Equipment and building improvements	1,408,206	1,256,073	152,133	195,029
	1,839,206	1,400,073	439,133	510,829

Deferred capital contributions consist of \$843,520 (2021 - \$843,520) from Atlantic Canada Opportunities Agency, \$379,261 (2021 - \$379,261) from the Federal Department of Canadian Heritage, and \$185,425 (2021 - \$185,425) from the Province of Prince Edward Island. A contribution of \$431,000 regarding land and building transferred on the dissolution of the former Prince Edward Island Council of the Arts is also included in deferred capital contributions.

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2022

5 Security for bank advances and demand loan

P.E.I. Arts Guild Inc. has a line of credit in the amount of \$10,000. Interest rate is Royal Bank prime plus 7% per annum. Interest is payable monthly, in arrears, on the same day each month as determined by the Bank. The balance of the line of credit was nil at March 31, 2022 (2021 - nil).

A general security agreement constituting a first ranking security interest in the undertaking and all personal property of the P.E.I. Arts Guild Inc. has been pledged as security for the organization's demand loan, which was nil at March 31, 2022.

6 Economic dependence

P.E.I. Arts Guild Inc. receives a significant portion of annual revenue from government funding. The organization's ability to continue operations is dependent upon maintaining this funding from government.

7 Government assistance

The company received government assistance during the year in the following amounts:

	2022	2021
	\$	\$
Wage assistance - Federal - CEWS	60,215	95,044
Debt forgiveness - Federal - CEBA	10,000	10,000
COVID 19 emergency support fund - Federal	105,000	5,000
COVID 19 NGOs Tourism relief fund - Provincial	19,500	25,000
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	194,715	135,044
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8 Contingency

P.E.I. Arts Guild Inc. has been named in a legal dispute. No amount has been accrued in the accounts of the P.E.I. Arts Guild Inc. as the outcome of the dispute is uncertain.

9 Activity

In fiscal 2022, the organization had 116 (2021 - 128) performances, 77 (2021 - 70) rehearsals, 16 (2021 - 9) classes in dance, theatre and visual arts and 14 (2021 - 13) gallery exhibits. P.E.I. Arts Guild Inc. managed cash from ticket receipts totaling \$152,659 (2021 - \$28,280) during the year.