

ARS LONGA Inc.

Financial Statements
March 31, 2016



Member of The AC Group of Independent Accounting Firms

September 20, 2016

Independent Auditor's Report

To the Directors of
ARS LONGA Inc.

We have audited the accompanying financial statements of **ARS LONGA Inc.**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

In common with many charitable organizations, **ARS LONGA Inc.** derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of **ARS LONGA Inc.** Therefore, we were not able to determine whether any adjustments might be necessary to donations and sponsorships revenue, excess revenue (expenses) for the year and cash flows for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015 and net assets as at April 1 and March 31 for both 2016 and 2015 year ends.

Qualified Opinion

In our 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 **ARS LONGA Inc.** as at March 31, 2016, 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

ARS LONGA Inc.
Statement of Financial Position
As at March 31, 2016

	2016 \$	2015 \$
Assets (note 5)		
Current assets		
Cash	6,941	14,729
Accounts receivable	13,049	14,721
Government contributions receivable	6,255	44,517
HST receivable	1,257	13,743
Inventory	1,996	940
Prepaid expenses	452	452
	29,950	89,102
Capital assets (note 3)	103,541	233,565
	133,491	322,667
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	14,588	84,328
Advance ticket sales deposits	9,599	3,170
Deferred revenue	11,683	11,250
	35,870	98,748
Deferred capital contributions (note 4)	80,955	198,585
	116,825	297,333
Net Assets	16,666	25,334
	133,491	322,667

Approved by the Board of Directors

Director

Director

ARS LONGA Inc.

Statement of Operations and Net Assets For the year ended March 31, 2016

	2016	2015
	\$	\$
Revenue		
Government contributions		
- Province of Prince Edward Island	49,680	55,400
- City of Charlottetown	55,000	55,000
- Wage subsidies	70,682	48,741
Donations and sponsorships	36,090	70,117
Performance hall rent	131,146	126,478
Ticket surcharges	33,147	34,890
Sales - performance hall bar	35,855	40,925
Annual fundraiser	5,624	4,860
Premises rents	41,957	38,213
	<u>459,181</u>	<u>474,624</u>
Expenses		
Performance hall bar supplies	23,835	26,998
Performance hall subsidies	57,730	33,665
Advertising	16,253	10,248
Special project promotion	19,552	54,677
Wages and benefits	235,907	208,488
Business development and meetings	2,551	1,188
Utilities	38,020	44,026
Repairs and maintenance	13,916	17,775
Insurance	9,977	9,357
Telephone and internet	4,729	3,813
Office and miscellaneous	5,770	6,749
Bookkeeping services	3,728	5,445
Professional fees	4,250	3,450
Doubtful accounts (recovery)	-	(1,248)
Service charges	16,313	15,271
Interest and bank charges	2,347	1,818
Interest on demand loan	-	184
	<u>454,878</u>	<u>441,904</u>
Operating earnings	<u>4,303</u>	<u>32,720</u>
Other income (expense)		
Amortization of deferred credits	117,630	117,631
Amortization of capital assets	(130,601)	(130,543)
	<u>(12,971)</u>	<u>(12,912)</u>
Excess revenue (expenses) for the year	(8,668)	19,808
Net assets - Beginning of year	<u>25,334</u>	<u>5,526</u>
Net assets - End of year	<u>16,666</u>	<u>25,334</u>

ARS LONGA Inc.
Statement of Cash Flows
For the year ended March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenses) for the year	(8,668)	19,808
Items not affecting cash		
Amortization of deferred credits	(117,630)	(117,631)
Amortization or capital assets	130,601	130,543
	4,303	32,720
Net change in non-cash working capital items		
Decrease in accounts receivable	1,672	719
Decrease (increase) in government contributions receivable	38,262	(8,917)
Decrease (increase) in HST receivable	12,486	(1,415)
Increase in inventory	(1,056)	(193)
Increase (decrease) in accounts payable and accrued liabilities	(69,740)	28,532
Increase (decrease) in advance ticket sales deposits	6,429	(6,455)
Increase in deferred revenue	433	-
	(7,211)	44,991
Financing activities		
Payments on demand loan	-	(5,000)
Increase in deferred capital contributions	-	94,487
	-	89,487
Investing activity		
Increase in capital assets	(577)	(105,326)
Increase (decrease) in cash	(7,788)	29,152
Cash (bank advances) - Beginning of year	14,729	(14,423)
Cash - End of year	6,941	14,729

ARS LONGA Inc.

Notes to Financial Statements

March 31, 2016

1 Purpose of the organization

ARS LONGA 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. ARS LONGA Inc. is a non-profit corporation and is not taxable under the provisions of the Income Tax Act.

2 Summary of significant accounting policies

Revenue recognition

The organization follows the deferral method of accounting for contributions. Contributions are recognized as revenue when the amount to be received can be reasonably estimated and collection is reasonably assured. The organization recognizes all other revenue when earned. When the organization is not acting as principal in a transaction, it recognizes only the net amount received.

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

Capital assets are recorded at cost. Amortization of capital assets is calculated using the straight-line method over 10 years.

Government contributions

Amortization of government contributions is calculated using the straight-line method over 10 years.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for private enterprises 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 valuations of accounts receivable and inventory, and the estimated useful life of capital assets. Actual results could differ from those estimates.

ARS LONGA Inc.

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Financial instruments

(a) Measurement of financial instruments

ARS LONGA Inc.'s financial instruments consist of cash, accounts 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, except for derivatives and equity securities quoted in an active market which are measured at fair value. Changes in fair value are recognized in net earnings.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

- i) The present value of the cash flows expected to be generated by the asset or group of assets;
- ii) The amount that could be realized by selling the asset or group of assets;
- iii) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the amount of the previously recognized impairment.

(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.

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- 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

	2016		2015	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment	330,570	266,027	64,543	97,024
Leasehold improvements	975,436	936,438	38,998	136,541
	<u>1,306,006</u>	<u>1,202,465</u>	<u>103,541</u>	<u>233,565</u>

The building used by the organization is leased from a tenant, the Prince Edward Island Council of the Arts, for \$5 per year. The lease expires in March 2022.

4 Deferred capital contributions

	2016		2015	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment and leasehold improvements	1,176,308	1,095,353	80,955	198,585

Government contributions consist of \$800,777 from Atlantic Canada Opportunities Agency, \$304,261 from the Federal Department of Canadian Heritage, and \$71,270 from the Province of Prince Edward Island.

5 Security for bank advances and demand loan

A general security agreement constituting a first ranking security interest in the undertaking and all personal property of ARS LONGA Inc. has been pledged as security for the organization's demand loan, which was nil at March 31, 2016.

6 Economic dependence

ARS LONGA 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.

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7 Activity

In fiscal 2016, the organization had 286 performances, 76 rehearsals and 83 classes in the theatre and 24 gallery exhibits. ARS LONGA Inc. managed cash from ticket receipts totaling \$582,806 in fiscal 2016.