

P.E.I. Arts Guild Inc. (formerly ARS Longa Inc.)

Financial Statements
March 31, 2018



June 27, 2018

Independent Auditor's Report

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

We have audited the accompanying financial statements of P.E.I. Arts Guild Inc. (formerly ARS Longa Inc.), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, 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, P.E.I. Arts Guild 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 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 revenue for the year and cash flows for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017 and net assets as at April 1 and March 31 for both 2018 and 2017 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 P.E.I. Arts Guild Inc. as at March 31, 2018, 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

P.E.I. Arts Guild Inc.
Statement of Financial Position
As at March 31, 2018

	2018	2017
	\$	\$
Assets		
Current assets		
Cash	49,005	26,160
Accounts receivable	5,550	10,168
Government contributions receivable	25,006	5,000
Inventory	1,100	873
Prepaid expenses	452	452
	<u>81,113</u>	<u>42,653</u>
Capital assets (note 3)	<u>605,200</u>	<u>244,372</u>
	<u>686,313</u>	<u>287,025</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	18,274	8,040
HST payable	11,914	1,230
Advance ticket sales deposits	12,080	7,194
Deferred revenue	12,232	15,333
	<u>54,500</u>	<u>31,797</u>
Deferred capital contributions (note 4)	<u>578,983</u>	<u>212,247</u>
	<u>633,483</u>	<u>244,044</u>
Net Assets	<u>52,830</u>	<u>42,981</u>
	<u>686,313</u>	<u>287,025</u>

Approved by the Board of Directors

_____ Director

_____ Director

P.E.I. Arts Guild Inc.

Statement of Net Assets

For the year ended March 31, 2018

	2018	2017
	\$	\$
Net assets - Beginning of year	42,981	23,342
Excess revenue for the year	9,849	19,639
Net assets - End of year	<u>52,830</u>	<u>42,981</u>

P.E.I. Arts Guild Inc.
Statement of Operations
For the year ended March 31, 2018

	2018	2017
	\$	\$
Revenue		
Government contributions		
- Province of Prince Edward Island	50,000	49,680
- Province of Prince Edward Island - artists' grants	-	100,000
- Province of Prince Edward Island - other grants	-	10,200
- City of Charlottetown - operational	55,000	55,000
- Wage subsidies	131,679	49,944
Donations and sponsorships	12,822	8,172
Performance hall rent	131,604	140,166
Programming grant - Province of Prince Edward Island	59,000	42,500
Programming grant - City of Charlottetown	1,500	-
Facility fee	25,705	-
Ticket surcharges	45,982	38,347
Sales - performance hall bar	38,551	30,253
Annual fundraiser	3,256	2,050
Premises rents	51,546	39,065
	606,645	565,377
Expenses		
Performance hall bar supplies	31,396	24,228
Performance hall subsidies	31,772	38,322
Special project promotion	28,480	22,450
Music theatre school	12,618	-
Advertising	17,618	19,304
Wages and benefits	349,273	224,775
Business development and meetings	2,872	2,210
Utilities	42,391	41,664
Repairs and maintenance	14,673	15,327
Insurance	9,702	11,031
Telephone and internet	3,850	5,700
Office	9,119	4,187
Professional fees	4,230	4,950
Doubtful accounts	381	1,581
P.E.I. arts grants	-	100,000
Service charges	30,117	21,838
Interest and bank charges	2,396	2,042
	590,888	539,609
Operating earnings	15,757	25,768
Other income (expense)		
Amortization of capital assets	(70,172)	(41,593)
Amortization of deferred capital contributions	64,264	35,464
	(5,908)	(6,129)
Excess revenue for the year	9,849	19,639

P.E.I. Arts Guild Inc.
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	9,849	19,639
Items not affecting cash		
Amortization or capital assets	70,172	41,593
Amortization of deferred capital contributions	(64,264)	(35,464)
	<u>15,757</u>	<u>25,768</u>
Net change in non-cash working capital items		
Decrease in accounts receivable	4,618	2,881
Decrease (increase) in government contributions receivable	(20,006)	1,255
Decrease in HST receivable	-	1,257
Decrease (increase) in inventory	(227)	1,123
Increase (decrease) in accounts payable and accrued liabilities	10,234	(6,548)
Increase in HST payable	10,684	1,230
Increase (decrease) in advance ticket sales deposits	4,886	(2,405)
Increase (decrease) in deferred revenue	(3,101)	3,650
	<u>22,845</u>	<u>28,211</u>
Financing activity		
Increase in deferred capital contributions	-	76,899
Investing activity		
Increase in capital assets	-	(85,891)
	<u>22,845</u>	<u>19,219</u>
Increase in cash	<u>22,845</u>	<u>19,219</u>
Cash - Beginning of year	<u>26,160</u>	<u>6,941</u>
Cash - End of year	<u>49,005</u>	<u>26,160</u>

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2018

1 Name change and purpose of the organization

On March 20, 2018, ARS Longa Inc. legally changed its name to P.E.I. Arts Guild Inc.

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 non-profit corporation and 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:

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.

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 outlined in note 3.

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Notes to Financial Statements

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Deferred capital contributions

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

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 valuations 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.

(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.

P.E.I. Arts Guild Inc.

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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

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	143,000	-	143,000	-
Building	288,000	28,800	259,200	-
Building improvements	1,041,774	900,592	141,182	163,812
Equipment	350,121	288,303	61,818	80,560
	<u>1,822,895</u>	<u>1,217,695</u>	<u>605,200</u>	<u>244,372</u>

During the year, land and a building were transferred to the organization on the dissolution of the Prince Edward Island Council of the Arts. The land and building have been recorded at estimated fair market value of \$431,000 based on the most recent property tax assessment, with one-third allocated to land and two-thirds allocated to building. Since nothing was paid for this transfer, an equal amount of \$431,000 was recognized in deferred capital contributions.

4 Deferred capital contributions

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	143,000	-	143,000	-
Building	288,000	28,800	259,200	-
Equipment and building improvements	1,253,206	1,076,423	176,783	212,247
	<u>1,684,206</u>	<u>1,105,223</u>	<u>578,983</u>	<u>212,247</u>

Government contributions consist of \$843,520 (2017 - \$843,520) from Atlantic Canada Opportunities Agency, \$304,261 (2017 - \$304,261) from the Federal Department of Canadian Heritage, and \$105,425 (2017 - \$105,425) 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.

5 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.

P.E.I. Arts Guild Inc.

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6 Activity

In fiscal 2018, the organization had 396 (2017 - 310) performances, over 74 (2017 - 100) rehearsals, over 70 (2017 - 80) classes in dance, theatre and visual arts and 19 (2017 - 24) gallery exhibits. P.E.I. Arts Guild Inc. managed cash from ticket receipts totaling \$832,358 (2017 - \$902,899) in fiscal 2018.

7 Comparative figures

Certain comparative figures presented for the 2017 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.