
ISLAND ARTS CENTRE SOCIETY
FINANCIAL STATEMENTS
AUGUST 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Island Arts Centre Society,

Report on the Financial Statements

We have audited the accompanying financial statements of Island Arts Centre Society, which comprise the statement of financial position as at August 31, 2016 and the statement of operations, statement of changes in 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 generally accepted accounting principles 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 is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Island Arts Centre Society derives a significant portion of its revenues from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were unable to determine whether any adjustments were necessary.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Island Arts Centre Society as at August 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other legal and Regulatory Requirements

As required by the *British Columbia Society Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Other Matter

The statement of financial position as at August 31, 2015, and the statement of operations, changes in net assets and cash flows for the year then ended, were audited by another firm of Chartered Professional Accountants who expressed an opinion without qualification on October 31, 2015.

November 16, 2016
Salt Spring Island, British Columbia

McLean, Lizotte, Wheadon and Company
McLEAN, LIZOTTE, WHEADON AND COMPANY
Chartered Professional Accountants

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**ISLAND ARTS CENTRE SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016**

	Total 2016	Total 2015
CURRENT ASSETS		
Cash and cash equivalents - Note 2	\$ 113,622	\$ 117,228
Accounts receivable	1,897	1,170
Prepaid expenses	13,489	10,660
	129,008	129,058
 INVESTMENTS - Notes 2	 388,160	 352,890
 CAPITAL ASSETS - Notes 2 & 3	 1,557,291	 1,608,652
	\$ 2,074,459	\$ 2,090,600
 CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,987	\$ 14,984
Due to government agencies - Note 4 & 12	28,316	4,896
Wages payable	7,562	3,997
Unearned revenue and deposits - Note 5	40,442	54,632
Deferred contributions - Note 6	23,814	20,635
	122,121	99,144
 NET ASSETS		
Invested in capital assets	1,557,291	1,608,652
Endowment - Note 7	239,374	205,705
Externally restricted - Note 8	92,785	92,507
Internally restricted - Note 9	62,888	84,592
Unrestricted	-	-
	1,952,338	1,991,456
	\$ 2,074,459	\$ 2,090,600
 CONTINGENCIES - Note 12		

ON BEHALF OF THE BOARD OF DIRECTORS:

Cecilia Styles Treasurer
Donald W. Johnson President

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2016**

	Total 2016	Total 2015
REVENUES		
Sales, rentals and services - Schedule 1	\$ 188,126	\$ 201,350
Federal and other government grants	124,619	104,610
Donations and other grants - Schedule 2	122,969	120,382
Investment income	46,885	(6,390)
Other income	35,419	26,005
Sponsorships	29,479	34,454
Capital replacement surcharge	16,152	20,046
	563,649	500,457
EXPENSES		
Administration expenses - Schedule 3	250,765	218,673
Arts programming - Schedule 4	164,682	173,549
Facilities operations and related costs - Schedule 5	177,631	142,972
General fundraising	9,689	10,421
	602,767	545,615
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(39,118)	(45,158)
NET ASSETS, BEGINNING OF YEAR	1,991,456	2,036,614
NET ASSETS, END OF YEAR	\$ 1,952,338	\$ 1,991,456

The accompanying notes are an integral part of these statements

ISLAND ARTS CENTRE SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>UNRESTRICTED</u>	<u>INVESTED IN CAPITAL ASSETS</u>	<u>ENDOWMENT FUND</u>	<u>EXTERNALLY RESTRICTED</u>	<u>INTERNALLY RESTRICTED</u>	<u>Total 2016</u>	<u>Total 2015</u>
NET ASSETS, BEGINNING OF YEAR	\$ -	\$ 1,608,652	\$ 205,705	\$ 92,507	\$ 84,592	\$ 1,991,456	\$ 2,036,814
REVENUES OVER EXPENSES	(84,548)	(63,444)	33,669	60,453	14,752	(39,118)	(45,158)
PURCHASE OF CAPITAL ASSETS	-	12,083			(12,083)	-	
INTERFUND TRANSFERS	84,548			(60,175)	(24,373)	-	
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,557,291</u>	<u>\$ 239,374</u>	<u>\$ 92,785</u>	<u>\$ 62,888</u>	<u>\$ 1,952,338</u>	<u>\$ 1,991,456</u>

The accompanying notes are an integral part of these statements



**ISLAND ARTS CENTRE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Total 2016</u>	<u>Total 2015</u>
OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ (39,118)	\$ (45,158)
Items not affecting cash:		
Amortization of tangible capital assets	63,444	63,994
Changes in non-cash working capital:		
Accounts receivable	(727)	(148)
Prepaid expenses	(2,829)	1,024
Accounts payable	7,003	1,161
Due to government agencies	23,420	4,730
Wages payable	3,565	176
Unearned revenue and deposits	(14,190)	404
Deferred revenue	3,179	(8,912)
	<u>43,747</u>	<u>17,271</u>
INVESTING ACTIVITIES:		
Unrealized (gain) loss of investments	(35,270)	21,565
Purchase of investments	-	(1,977)
Purchase of capital assets	(12,083)	(10,428)
	<u>(47,353)</u>	<u>9,160</u>
CHANGE IN CASH DURING THE YEAR	(3,606)	26,431
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	117,228	90,797
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 113,622</u>	<u>\$ 117,228</u>

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 1 - PURPOSE OF THE ORGANIZATION

The Island Arts Centre Society ("Artspring") is incorporated under the *British Columbia Society Act* as a not-for-profit organization and is exempt from income tax as a registered charity under the *Income Tax Act*.

In accordance with its constitution, Artspring provides:

- Support for the advancement of the performing, visual and creative arts and crafts on Salt Spring Island;
- A facility comprised of a theatre, gallery, display space and workshop space for those engaged in the performing, visual and creative arts and crafts as well as other groups and individuals engaged in activities of community benefit.
- Development and delivery of public education to support the performing, visual and creative arts and crafts; and
- Music, dance, theatre and other professional performances by high quality British Columbian, Canadian, and international performing artists to audiences on Salt Spring Island.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Society prepares its financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and includes the following significant accounting policies:

Cash and cash equivalents

Cash equivalents are comprised of funds held in financial institutions and term deposits that are readily convertible to cash with maturities that are less than three months from the date of acquisition, and which are expected to be redeemed during the next fiscal year.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization expense is reported in the Invested in Capital Asset Fund. The assets are being amortized over their estimated useful lives at the following annual rates, except for the Steinway piano which is not being amortized:

Automotive	30%	declining balance
Buildings	40 years	straight line
Furniture and equipment	10%	declining balance
Musical and theatre equipment	20%	declining balance
Office furniture and equipment	20%	declining balance
Computer hardware	30%	declining balance
Software	50%	declining balance

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are initially recorded at fair value at the date of acquisition. Unrealized gains or losses are recognized in the statement of operations. Transaction costs, such as management fees, arising from investments are expensed when incurred.

Investments are comprised of term deposits held by a financial institution, an endowment held by Phillips, Hager & North Investment Funds and an endowment to be retained in perpetuity by the Vancouver Foundation.

The funds invested with the Vancouver Foundation is pooled with the Common Trust Fund of the Foundation, and invested in accordance with the Investment Policy of the Foundation as approved by its Board of Directors. The Society is entitled to a prorated portion of the annual returns of the Common Trust Fund less an annual administration fee.

Revenue recognition

The Society follows the deferral method of accounting for contributions which include donation and government grants. Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Membership fees are recognized when received. Revenue from the sale of goods and services is recorded when the goods are delivered and the services are rendered.

Use of estimates

When preparing financial statements according to ASNPO, the Association makes estimates and assumptions relating to:

- Reported amounts of revenue and expenses;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the organization may undertake in the future, and assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates were used when accounting for certain items, such as the useful lives of capital assets and impairment of long-lived assets.

Donated services

Volunteers contribute numerous hours per year to assist the Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, wages payable, unearned revenue and deposits and deferred contributions.

For financial assets subsequently measured at cost or amortized cost, the Society regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

NOTE 3 - CAPITAL ASSETS

	COST		ACCUMULATED AMORTIZATION		NET BOOK VALUE	
	2016	2015	2016	2015	2016	2015
Building	\$ 2,118,632	\$ 2,112,632	\$ 837,145	\$ 784,254	\$ 1,281,487	\$ 1,328,378
Furniture and equipment	201,996	201,996	167,400	163,556	34,596	38,440
Licence	141,400	141,400	-	-	141,400	141,400
Office equipment	35,777	31,411	29,248	28,161	6,529	3,250
Musical and theatre equipment	58,627	58,627	42,898	38,966	15,729	19,661
Steinway piano	72,961	72,961	-	-	72,961	72,961
Computer hardware	36,222	34,504	31,794	30,264	4,428	4,240
Software	14,639	14,639	14,478	14,317	161	322
	<u>\$ 2,680,254</u>	<u>\$ 2,668,170</u>	<u>\$ 1,122,963</u>	<u>\$ 1,059,518</u>	<u>\$ 1,557,291</u>	<u>\$ 1,608,652</u>

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 4 - DUE TO GOVERNMENT AGENCIES

This figure is comprised of the following:

	2016	2015
GST/HST Payable	\$ 24,646	\$ 2,006
Payroll deductions	3,238	2,686
WorksafeBC	432	166
PST Payable	-	38
	\$ 28,316	\$ 4,896

NOTE 5 - UNEARNED REVENUE AND DEPOSITS

	2016	2015
Box office ticket sales	\$ 21,390	\$ 41,430
Rental deposits	8,126	3,664
Unredeemed box office credits	7,668	7,014
Unredeemed gift certificates	3,258	2,524
	\$ 40,442	\$ 54,632

NOTE 6 - DEFERRED CONTRIBUTIONS

Deferred contributions represent the restricted operating grant received in the current period that is related to the subsequent period.

	2016	2015
CRD Operating grant	\$ 23,814	\$ 20,635
	\$ 23,814	\$ 20,635

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 7 - ENDOWMENT

Endowment net assets record the accumulation of externally restricted endowment contributions and unrestricted contributions internally designated as endowments by the Board.

External restrictions refer to any conditions or specific uses that have been requested or required by the donor(s) in making a gift to the Society. Internal restrictions refer to those funds which the Board has earmarked for this specific purpose, where the donor(s) have not placed any restrictions on their use.

NOTE 8 - EXTERNALLY RESTRICTED

Externally Restricted net assets report externally restricted contributions designated for specific purposes. They are comprised of:

	2016	2015
Arts Exploration Fund	\$ 39,087	\$ 47,665
Programs Fund	43,680	44,824
Capital replacement Fund	10,000	
Gaming Fund	18	18
	<u>\$ 92,785</u>	<u>\$ 92,507</u>

NOTE 9 - INTERNALLY RESTRICTED

Internally Restricted net assets reports unrestricted funds that the Board has designated for specific purposes. They are comprised of:

	2016	2015
Capital Replacement Fund	\$ 48,399	\$ 57,200
Operating Contingency	14,489	27,392
	<u>\$ 62,888</u>	<u>\$ 84,592</u>

**ISLAND ARTS CENTRE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 10 - FINANCIAL INSTRUMENTS

The Society uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk, liquidity risk and market risk. The Society does not use any derivative financial instruments to mitigate these risks.

Credit risk

Credit risks arise from two sources: cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with a reputable, financial institution to limit the credit risk exposure. The credit risk arising from accounts receivable is not considered significant.

Investment risk

The maximum investment risk to the Society is presented by the fair value of the investments.

Interest rate risk

The Society is exposed to interest rate risk with respect to the fixed-rate term deposits.

Liquidity risk

Liquidity risk arises from the possibility of not having sufficient available funds to enable the Society to pay its liabilities as they become due. The Society is not exposed to significant risk. Accounts payable and accrued liabilities are generally paid within 30 days.

NOTE 11 - LICENSE AND LEASE AGREEMENT

In September 1991, the Society transferred two commercial lots, which cost \$141,400 to the Capital Regional District in return for a license entitling the Society to utilize the original two lots plus additional land. The current lease agreement is for a period of 10 years commencing on April 1, 2011. The obligation is \$2 per annum, due on April 1st of each year. The Board expects that the Capital Regional District will continue to renew the lease of the land upon retirement of the current lease agreement.

NOTE 12 - CONTINGENCIES

The Society is subject to audits from Federal and Provincial tax authorities in the normal course of business which can give rise to assessments related to applicable sales taxes. During this fiscal year, the Canada Revenue Agency (CRA) performed an audit of the Society's application of the GST/HST sales tax. The audit has not yet been completed, but we anticipate that the Society will receive an assessment payable of approximately \$48,824. We further anticipate that the Society will be entitled to the Public Services GST rebate of approximately \$24,412. The overall result will likely be a balance owing to the CRA of \$24,412 plus applicable interest which will have to be funded from future operations. The figures are estimates based on documentation received from the CRA and have been recorded in the financial statements.

NOTE 13 - COMPARATIVE FIGURES

The prior year's figures were audited by another accountant. We have not audited these figures, but they have been restated where necessary to conform to the current presentation.

**ISLAND ARTS CENTRE SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

SCHEDULE 1 - SALES, RENTALS AND SERVICES

	2016	2015
House event ticket sales	\$ 118,865	\$ 123,416
Theatre rentals	52,286	59,279
Exhibition rentals	16,975	18,655
	\$ 188,126	\$ 201,350

SCHEDULE 2 - DONATIONS AND OTHER GRANTS

	2016	2015
Treasure fair	\$ 54,835	\$ 51,375
Annual appeal	52,570	50,330
Donations	15,564	18,677
	\$ 122,969	\$ 120,382

SCHEDULE 3 - ADMINISTRATION EXPENSES

	2016	2015
Advertising and printing	\$ 7,103	\$ 4,821
Contract services	5,476	6,655
Donor and volunteer recognition	2,137	892
GST/HST ITCs payable net of Public Sector Rebate - Note 12	24,412	-
Insurance	779	891
Interest and bank charges	7,417	6,385
License	3,792	2,398
Office	7,865	7,146
Organizational development	3,569	2,059
Professional fees	6,000	4,500
Telephone	4,033	2,935
Travel	7,074	4,380
Wages	171,108	175,611
	\$ 250,765	\$ 218,673

**ISLAND ARTS CENTRE SOCIETY
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

SCHEDULE 4 - ARTS PROGRAMMING

	2016	2015
Advertising	\$ 11,905	\$ 14,804
Artist	100,067	107,802
Artist travel and accomodation	7,712	4,856
Concession	4,412	4,787
Contract services	4,488	3,407
Educational workshops	1,237	1,809
Hospitality	2,177	789
Royalties	12,974	16,503
Supplies	415	2,654
Wages	19,295	16,138
	\$ 164,682	\$ 173,549

SCHEDULE 5 - FACILITIES OPERATIONS AND RELATED COSTS

	2016	2015
Amortization	\$ 63,444	\$ 63,994
Contract services	25,888	2,679
Garbage	1,968	640
Ground maintenance	1,641	1,782
Hydro	20,941	16,666
Insurance	8,010	7,970
Janitorial	20,249	12,569
License	146	138
Repairs and miscellaneous	6,900	7,758
Security	1,869	2,072
Supplies	7,617	4,588
Wages	15,898	20,280
Water/Sewer	3,060	1,836
	\$ 177,631	\$ 142,972