

**ISLAND ARTS CENTRE SOCIETY**  
***(ArtSpring)***  
**Financial Statements**  
**Year Ended August 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Island Arts Centre Society (ArtSpring)

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Island Arts Centre Society, (ArtSpring), which comprise the statement of financial position as at August 31, 2018 and the statements of operations, 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 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.

### *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 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 presentation of the financial statements.

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

### *Basis for Qualified Opinion*

In common with many charitable organizations, the society derives revenue from contributions, 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 the society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of Island Arts Centre Society, (ArtSpring), as at August 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.

### *Report on Other Legal and Regulatory Requirements*

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a basis consistent with that of the preceding year.

*McLean, Lizotte, Wheadon and Company*

**MCLEAN, LIZOTTE, WHEADON AND COMPANY**  
Chartered Professional Accountants

Salt Spring Island, British Columbia  
November 19, 2018

**ISLAND ARTS CENTRE SOCIETY**  
**(ArtSpring)**  
**Statement of Financial Position**  
**August 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 164,860	\$ 124,836
Accounts receivable	1,338	6,928
Prepaid expenses	12,248	6,940
	<b>178,446</b>	138,704
INVESTMENTS (Note 3)	343,782	339,470
CAPITAL ASSETS (Note 4)	1,489,111	1,535,788
	<b>\$ 2,011,339</b>	<b>\$ 2,013,962</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 18,477	\$ 16,739
Due to government agencies (Note 5)	5,751	3,601
Wages payable	11,695	9,489
Unearned revenue and deposits (Note 6)	47,149	72,563
Deferred contributions (Note 7)	25,010	24,056
	<b>108,082</b>	126,448
NET ASSETS	<b>1,903,257</b>	1,887,514
	<b>\$ 2,011,339</b>	<b>\$ 2,013,962</b>

ON BEHALF OF THE BOARD

 Director  
 Director

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY**

*(ArtSpring)*

**Statement of Operations**

**Year Ended August 31, 2018**

	2018	2017
<b>REVENUES</b>		
Sales and rentals <i>(Note 8)</i>	\$ 166,824	\$ 155,684
Donations and other gifts <i>(Note 9)</i>	132,862	141,779
Federal and other government grants	145,017	126,267
Sponsorships	47,250	29,382
Other income <i>(Note 10)</i>	52,630	29,949
Capital replacement surcharge	18,994	18,354
Investment income	11,391	19,912
	<u>574,968</u>	<u>521,327</u>
<b>EXPENSES</b>		
Administrative expenses <i>(Note 11)</i>	252,537	224,606
Arts programming <i>(Note 12)</i>	139,987	170,634
Facility operations and related costs <i>(Note 13)</i>	144,298	166,055
General fundraising <i>(Note 14)</i>	22,403	24,856
	<u>559,225</u>	<u>586,151</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u>\$ 15,743</u>	<u>\$ (64,824)</u>

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY**  
**(ArtSpring)**  
**Statement of Changes in Net Assets**  
**Year Ended August 31, 2018**

	2017 Balance	Excess of revenues over expenses	Interfund transfers	2018 Balance
Invested in capital assets	\$ 1,535,788	\$ (63,157)	\$ 16,480	\$ 1,489,111
Endowment (Note 15)	249,219	2,789	-	252,008
Internally restricted (Note 16)	53,941	17,032	(926)	70,047
Externally restricted (Note 17)	64,941	38,269	(11,056)	92,154
Unrestricted	(16,375)	20,810	(4,498)	(63)
	<u>\$ 1,887,514</u>	<u>\$ 15,743</u>	<u>\$ -</u>	<u>\$ 1,903,257</u>

  

	2016 Balance	Excess of revenues over expenses	Interfund transfers	2017 Balance
Invested in capital assets	\$ 1,557,292	\$ (62,985)	\$ 41,481	\$ 1,535,788
Endowment	239,374	9,845	-	249,219
Internally restricted	62,887	18,328	(27,274)	53,941
Externally restricted	92,785	(16,238)	(11,606)	64,941
Unrestricted	-	(13,774)	(2,601)	(16,375)
	<u>\$ 1,952,338</u>	<u>\$ (64,824)</u>	<u>\$ -</u>	<u>\$ 1,887,514</u>

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY**

*(ArtSpring)*

**Statement of Cash Flows**

**Year Ended August 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 15,743	\$ (64,824)
Item not affecting cash:		
Amortization of capital assets	63,157	62,985
	<u>78,900</u>	<u>(1,839)</u>
Changes in non-cash working capital:		
Accounts receivable	5,590	19,380
Accounts payable	1,740	(5,249)
Prepaid expenses	(5,308)	6,549
Goods and services tax payable	2,150	(49,127)
Wages payable	2,206	1,927
Unearned revenue and deposits	(25,414)	32,121
Deferred contributions	954	242
	<u>(18,082)</u>	<u>5,843</u>
Cash flow from operating activities	<u>60,818</u>	<u>4,004</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(16,482)	(41,481)
Redemption of investments	(1,523)	58,535
Fair market value change of investments	(2,789)	(9,844)
Cash flow from (used by) investing activities	<u>(20,794)</u>	<u>7,210</u>
<b>INCREASE IN CASH FLOW</b>	<b>40,024</b>	<b>11,214</b>
Cash - beginning of year	<u>124,836</u>	<u>113,622</u>
<b>CASH - END OF YEAR</b>	<b>\$ 164,860</b>	<b>\$ 124,836</b>

The accompanying notes are an integral part of these statements

**ISLAND ARTS CENTRE SOCIETY**

**(ArtSpring)**

**Notes to Financial Statements**

**Year Ended August 31, 2018**

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**1. PURPOSE OF THE SOCIETY**

Island Arts Centre Society (the "society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. As a registered charity the society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

In accordance with its constitution, the purposes of the society are:

- To support for the advancement of the performing, visual and creative arts and crafts on Salt Spring Island;
  - To build, operate, maintain, and promote ArtSpring as 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 for other groups and individuals engaged in activities of community benefit.
  - To development and execute public education to support the performing, visual and creative arts and crafts; and
  - To bring high quality British Columbian, Canadian, and international performing artists to Salt Spring audiences by presenting music, dance, theatre and other professional performances.
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**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).

Fund accounting

Island Arts Centre Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to Island Arts Centre Society's capital assets and building improvements campaign.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the [Name of Fund] or Operating Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Net assets

- a) Net assets invested in property and equipment represents the organization's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, not of transfers, and are available for general purposes.

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**ISLAND ARTS CENTRE SOCIETY**

**(ArtSpring)**

**Notes to Financial Statements**

**Year Ended August 31, 2018**

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

Cash and short term investments

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Investments

Short term investments, which consist primarily of commercial paper with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost.

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Revenue recognition

Island Arts Centre Society 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Seminar fees are recognized as revenue when the seminars are held.

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. 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.

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ISLAND ARTS CENTRE SOCIETY

(ArtSpring)

Notes to Financial Statements

Year Ended August 31, 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Building	40 years	straight-line method
Furniture and equipment	10%	declining balance method
Musical and theatre equipment	20%	declining balance method
Computers	30%	declining balance method
Office equipment	20%	declining balance method
Software	50%	declining balance method

The society regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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.

Donated goods

In addition to monetary donations, The Society receives donation in-kind. Donations in-kind can take the form of equity shares traded on a public stock exchange, and contributions of goods and materials. Equity shares received are recorded at fair market value as at the date they were contributed and are sold shortly after. Proceeds are reported as income in the year of receipt. Contributions of goods and materials for the purposes of fundraising are reported upon realization of the proceeds from their sale.

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. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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3. INVESTMENTS

	2018	2017
Vancouver foundation fund	\$ 214,409	\$ 212,631
Term deposits	91,774	90,251
Philip, Hager & North fund	37,599	36,588
	<u>\$ 343,782</u>	<u>\$ 339,470</u>

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**ISLAND ARTS CENTRE SOCIETY**

*(ArtSpring)*

**Notes to Financial Statements**

**Year Ended August 31, 2018**

**4. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Building	\$ 2,166,909	\$ 944,684	\$ 1,222,225	\$ 1,268,185
License	141,400	-	141,400	141,400
Steinway piano	72,961	-	72,961	72,961
Furniture and equipment	201,996	173,973	28,023	31,136
Musical and theatre equipment	59,470	48,645	10,825	12,583
Computers	42,908	35,390	7,518	4,218
Office equipment	37,933	31,814	6,119	5,224
Software	14,639	14,599	40	81
	<u>\$ 2,738,216</u>	<u>\$ 1,249,105</u>	<u>\$ 1,489,111</u>	<u>\$ 1,535,788</u>

**5. DUE TO GOVERNMENT AGENCIES**

	2018	2017
Payroll deductions	\$ 4,825	\$ 3,292
GST/HST	539	-
WorksafeBC	387	309
	<u>\$ 5,751</u>	<u>\$ 3,601</u>

**6. UNEARNED REVENUE AND DEPOSITS**

	2018	2017
Box Office Ticket Sales	\$ 31,632	\$ 48,938
Unredeemed box office credits	7,807	9,494
Unredeemed Gift Certificates	3,061	3,250
Rental deposits	4,649	10,881
	<u>\$ 47,149</u>	<u>\$ 72,563</u>

**7. DEFERRED CONTRIBUTIONS**

	2018	2017
CRD tax levy	\$ 25,010	\$ 24,056

Deferred contributions represent the restricted operating grant received in the current period that are for the subsequent period.

ISLAND ARTS CENTRE SOCIETY

(ArtSpring)

Notes to Financial Statements

Year Ended August 31, 2018

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8. SALES AND RENTALS

	2018	2017
House event ticket sales	\$ 95,828	\$ 88,642
Exhibition rentals	54,089	53,456
Theatre rentals	16,907	13,586
	<u>\$ 166,824</u>	<u>\$ 155,684</u>

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9. DONATIONS AND OTHER GIFTS

	2018	2017
Treasure Fair	\$ 60,747	\$ 48,167
Annual Appeal	49,546	58,536
Donations	22,569	35,076
	<u>\$ 132,862</u>	<u>\$ 141,779</u>

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10. OTHER INCOME

	2018	2017
Raffle	\$ 17,400	\$ -
Memberships	10,230	6,040
Commissions	7,804	4,750
Ticket processing fees	7,192	5,642
Concession	5,351	5,523
Brochure advertising	2,195	3,375
Sales	1,967	3,470
Box office services	491	1,149
	<u>\$ 52,630</u>	<u>\$ 29,949</u>

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**ISLAND ARTS CENTRE SOCIETY**

*(ArtSpring)*

**Notes to Financial Statements**

**Year Ended August 31, 2018**

**11. ADMINISTRATIVE EXPENSES**

Advertising and printing	\$ 7,029	\$ 9,263
Contract services	5,654	6,661
Donor and volunteer recognition	2,437	2,618
Estimated GST/HST payable, net of Public Sector Rebate	-	(9,912)
Insurance	950	950
Interest and bank charges	8,069	6,407
License	3,632	4,624
Office	10,334	7,371
Organizational development	2,543	4,774
Professional fees	6,000	5,125
Telephone	3,237	4,259
Travel	1,562	3,940
Wages	201,090	178,526
	<u>\$ 252,537</u>	<u>\$ 224,606</u>

**12. ARTS PROGRAMMING**

	2018	2017
Advertising	\$ 8,608	\$ 6,993
Artist	79,759	102,560
Artist travel and accomodation	2,872	10,059
Concession	4,030	4,949
Contract services	1,825	2,125
Educational workshop	10,756	7,642
Hospitalities	2,090	874
Royalties	6,521	8,493
Supplies	3,400	951
Wages	20,126	25,988
	<u>\$ 139,987</u>	<u>\$ 170,634</u>

ISLAND ARTS CENTRE SOCIETY

(ArtSpring)

Notes to Financial Statements

Year Ended August 31, 2018

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13. FACILITY OPERATIONS AND RELATED COSTS

	2018	2017
Amortization	\$ 63,157	\$ 62,985
Contract services	84	17,730
Garbage	1,318	1,521
Grounds maintenance	980	1,409
Hydro	19,891	19,473
Insurance	8,068	8,068
Janitorial	18,174	19,566
License	149	149
Repairs and maintenance	8,748	6,915
Security	1,993	1,848
Supplies	7,102	8,892
Wages	9,060	14,471
Water/sewer	5,574	3,028
	<u>\$ 144,298</u>	<u>\$ 166,055</u>

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14. GENERAL FUNDRAISING

	2018	2017
Annual appeal	\$ 1,274	\$ 1,646
General fundraising	2,464	1,587
Raffle	2,907	-
Treasure fair	15,758	21,623
	<u>\$ 22,403</u>	<u>\$ 24,856</u>

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15. 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.

The endowment funds held by the Vancouver Foundation (see note 3) are capitalized in perpetuity. Only the income generated by these funds are made available to the society.

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ISLAND ARTS CENTRE SOCIETY

(ArtSpring)

Notes to Financial Statements

Year Ended August 31, 2018

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16. INTERNALLY RESTRICTED

	2018	2017
Capital replacement	\$ 55,047	\$ 53,941
Operating contingency	15,000	-
	<u>\$ 70,047</u>	<u>\$ 53,941</u>

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17. EXTERNALLY RESTRICTED

	2018	2017
Programs	\$ 51,397	\$ 34,836
Arts Exploration	28,258	30,087
Gaming	11,518	18
Capital replacement	981	-
	<u>\$ 92,154</u>	<u>\$ 64,941</u>

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18. 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.

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19. RENUMERATION

On November 28, 2016, the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, the Society did not pay any remuneration in excess of \$75,000 to any one director, employee, or contractor.

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**ISLAND ARTS CENTRE SOCIETY**

**(ArtSpring)**

**Notes to Financial Statements**

**Year Ended August 31, 2018**

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**20. FINANCIAL INSTRUMENTS**

The society 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 society's risk exposure and concentration as of August 31, 2018.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The society is exposed to credit risk from customers. In order to reduce its credit risk, the society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The society has a significant number of customers which minimizes concentration of credit risk.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the society manages exposure through its normal operating and financing activities. The society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

**(e) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The society is exposed to other price risk through its investment in quoted securities.

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