

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Financial Statements
Year Ended August 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Island Arts Centre Society (ArtSpring)

Report on the Financial Statements

Opinion

We have audited the financial statements of Island Arts Centre Society (the Society), which comprise the statement of financial position as at August 31, 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO).

Basis for Opinion

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 the Society in accordance with 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 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 ASNPO, 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 the Society'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 the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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.

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Independent Auditor's Report to the Members of Island Arts Centre Society *(continued)*

- 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 the Society'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 the Society'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 the Society 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.

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 (ASNPO) on a basis consistent with that of the preceding year.

Salt Spring Island, British Columbia
November 25, 2019

McLean, Lizotte, Wheadon and Company

MCLEAN, LIZOTTE, WHEADON AND COMPANY
Chartered Professional Accountants



ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Statement of Financial Position
August 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 210,629	\$ 164,860
Accounts receivable	871	1,338
Prepaid expenses	16,906	12,248
Employee advances	1,073	-
	<u>229,479</u>	<u>178,446</u>
INVESTMENTS (Note 3)	350,654	343,782
CAPITAL ASSETS (Note 4)	<u>1,440,836</u>	<u>1,489,111</u>
	\$ 2,020,969	\$ 2,011,339
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 18,739	\$ 18,478
Due to government agencies (Note 5)	10,412	5,751
Wages payable	12,448	11,695
Unearned revenue and deposits (Note 6)	102,809	47,149
Deferred contributions (Note 7)	25,959	25,010
	<u>170,367</u>	<u>108,083</u>
NET ASSETS	<u>1,850,602</u>	<u>1,903,256</u>
	\$ 2,020,969	\$ 2,011,339

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, 2019

	2019	2018
REVENUES		
Sales and rentals <i>(Note 8)</i>	\$ 178,118	\$ 166,824
Donations and other gifts <i>(Note 9)</i>	160,072	132,862
Federal and other government grants	125,254	145,017
Sponsorships	31,250	47,250
Other income <i>(Note 10)</i>	48,263	52,629
Capital replacement surcharge	20,357	18,994
Investment income	16,415	11,391
	<u>579,729</u>	<u>574,967</u>
EXPENSES		
Administrative expenses <i>(Note 11)</i>	338,580	252,537
Arts programming <i>(Note 12)</i>	141,442	139,987
Facility operations and related costs <i>(Note 13)</i>	65,495	81,140
General fundraising <i>(Note 14)</i>	23,012	22,403
	<u>568,529</u>	<u>496,067</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEM	11,200	78,900
OTHER ITEM		
Amortization	<u>(63,854)</u>	<u>(63,157)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ (52,654)</u>	<u>\$ 15,743</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, 2019

	2018 Balance	Deficiency of revenues over expenses	Interfund transfers	2019 Balance
Invested in capital assets	\$ 1,489,110	\$ (63,854)	\$ 15,580	\$ 1,440,836
Endowment (Note 15)	252,008	4,992	-	257,000
Internally restricted (Note 16)	70,046	27,542	(15,580)	82,008
Externally restricted (Note 17)	92,154	(11,225)	(11,473)	69,456
Unrestricted	(62)	(10,109)	11,473	1,302
	\$ 1,903,256	\$ (52,654)	\$ -	\$ 1,850,602

	2017 Balance	Deficiency of revenues over expenses	Interfund transfers	2018 Balance
Invested in capital assets	\$ 1,535,787	\$ (63,157)	\$ 16,480	\$ 1,489,110
Endowment	249,219	2,789	-	252,008
Internally restricted	53,940	17,032	(926)	70,046
Externally restricted	64,941	38,269	(11,056)	92,154
Unrestricted	(16,374)	20,810	(4,498)	(62)
	\$ 1,887,513	\$ 15,743	\$ -	\$ 1,903,256

The accompanying notes are an integral part of these statements

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Statement of Cash Flows
Year Ended August 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (52,654)	\$ 15,743
Item not affecting cash:		
Amortization of capital assets	63,854	63,157
	<u>11,200</u>	<u>78,900</u>
Changes in non-cash working capital:		
Accounts receivable	467	5,590
Accounts payable	261	1,741
Prepaid expenses	(4,658)	(5,308)
Goods and services tax payable	4,661	2,150
Employee advances	(1,073)	-
Wages payable	753	2,206
Unearned revenue and deposits	55,660	(25,414)
Deferred contributions	949	954
	<u>57,020</u>	<u>(18,081)</u>
Cash flow from operating activities	<u>68,220</u>	<u>60,819</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(15,580)	(16,482)
Interest on investments	(1,879)	(1,523)
Fair market value change of investments	(4,992)	(2,790)
	<u>(22,451)</u>	<u>(20,795)</u>
Cash flow used by investing activities	<u>(22,451)</u>	<u>(20,795)</u>
INCREASE IN CASH FLOW	45,769	40,024
Cash - beginning of year	<u>164,860</u>	<u>124,836</u>
CASH - END OF YEAR	\$ 210,629	\$ 164,860

The accompanying notes are an integral part of these statements

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

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. The society is a registered charity and is exempt from the payment of income taxes under 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 Endowment Fund.

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, 2019

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, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives 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 capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets 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.

3. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Vancouver foundation fund	\$ 218,240	\$ 214,409
Term deposits	93,653	91,774
Philip, Hager & North fund	38,761	37,599
	<u>\$ 350,654</u>	<u>\$ 343,782</u>

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building	\$ 2,166,909	\$ 998,857	\$ 1,168,052	\$ 1,222,225
License	141,400	-	141,400	141,400
Steinway piano	72,961	-	72,961	72,961
Furniture and equipment	208,862	177,119	31,743	28,023
Musical and theatre equipment	67,824	51,645	16,179	10,825
Computers	42,908	37,646	5,262	7,518
Office equipment	38,293	33,074	5,219	6,119
Software	14,639	14,619	20	40
	<u>\$ 2,753,796</u>	<u>\$ 1,312,960</u>	<u>\$ 1,440,836</u>	<u>\$ 1,489,111</u>

5. DUE TO GOVERNMENT AGENCIES

	2019	2018
Payroll deductions	\$ 6,184	\$ 4,825
GST/HST	3,328	539
WorksafeBC	900	387
	<u>\$ 10,412</u>	<u>\$ 5,751</u>

6. UNEARNED REVENUE AND DEPOSITS

	2019	2018
Box Office Ticket Sales	\$ 86,946	\$ 31,632
Unredeemed box office credits	5,498	7,807
Unredeemed Gift Certificates	3,116	3,061
Rental deposits	7,249	4,649
	<u>\$ 102,809</u>	<u>\$ 47,149</u>

7. DEFERRED CONTRIBUTIONS

	2019	2018
CRD tax levy	\$ 25,959	\$ 25,010

Deferred contributions represent the 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, 2019

8. SALES AND RENTALS

	2019	2018
House event ticket sales	\$ 98,588	\$ 95,828
Theatre rentals	61,705	54,089
Exhibition rentals	17,825	16,907
	\$ 178,118	\$ 166,824

9. DONATIONS AND OTHER GIFTS

	2019	2018
Treasure Fair	\$ 59,467	\$ 60,747
Annual Appeal	51,834	49,546
Donations	48,771	22,569
	\$ 160,072	\$ 132,862

10. OTHER INCOME

	2019	2018
Raffle	\$ 14,500	\$ 17,400
Memberships	12,909	10,230
Ticket processing fees	7,623	7,190
Concession	6,341	5,351
Commissions	679	7,805
Sales	3,341	1,967
Brochure advertising	2,295	2,195
Box office services	575	491
	\$ 48,263	\$ 52,629

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

11. ADMINISTRATIVE EXPENSES

Advertising and printing	\$ 8,178	\$ 7,029
Contract services	5,547	5,654
Donor and volunteer recognition	3,649	2,330
Insurance	950	950
Interest and bank charges	7,775	8,069
License	3,285	3,632
Office	9,485	10,334
Organizational development	3,360	2,650
Professional fees	6,150	6,000
Telephone	3,094	3,237
Travel	4,907	1,562
Wages	282,200	201,090
	<u>\$ 338,580</u>	<u>\$ 252,537</u>

12. ARTS PROGRAMMING

	<u>2019</u>	<u>2018</u>
Advertising	\$ 3,435	\$ 8,608
Artist	93,301	79,759
Artist travel and accomodation	2,537	2,872
Concession	4,983	4,030
Contract services	2,447	1,825
Educational workshop	8,137	10,756
Hospitalities	2,184	2,090
Royalties	8,212	6,521
Supplies	7,643	3,400
Wages	8,563	20,126
	<u>\$ 141,442</u>	<u>\$ 139,987</u>

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

13. FACILITY OPERATIONS AND RELATED COSTS

	2019	2018
Contract services	\$ -	\$ 84
Garbage	1,215	1,318
Grounds maintenance	2,159	980
Hydro	19,108	19,891
Insurance	8,200	8,068
Janitorial	7,791	18,174
License	155	149
Repairs and maintenance	6,061	8,748
Security	2,086	1,993
Supplies	4,082	7,102
Wages	10,235	9,060
Water/sewer	4,403	5,573
	\$ 65,495	\$ 81,140

14. GENERAL FUNDRAISING

	2019	2018
Treasure fair	\$ 17,890	\$ 15,759
Raffle	3,365	2,907
Annual appeal	1,739	1,274
General fundraising	18	2,463
	\$ 23,012	\$ 22,403

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.

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

16. INTERNALLY RESTRICTED

	2019	2018
Capital replacement	\$ 67,008	\$ 55,046
Operating contingency	15,000	15,000
	\$ 82,008	\$ 70,046

17. EXTERNALLY RESTRICTED

	2019	2018
Programs	\$ 45,464	\$ 51,397
Arts Exploration	22,966	28,258
Capital replacement	981	981
Gaming	45	11,518
	\$ 69,456	\$ 92,154

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.

19. REMUNERATION

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.

ISLAND ARTS CENTRE SOCIETY
(ArtSpring)
Notes to Financial Statements
Year Ended August 31, 2019

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, 2019.

(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.

21. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
