

ISLAND ARTS CENTRE SOCIETY
Financial Statements
Year Ended August 31, 2024

ISLAND ARTS CENTRE SOCIETY
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Year Ended August 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Island Arts Centre Society

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, 2024, and the statements of revenues and expenditures, 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, 2024, 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.

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

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.
- 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 Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been 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 25, 2024



ISLAND ARTS CENTRE SOCIETY
Statement of Financial Position
August 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 360,326	\$ 1,092,056
Accounts receivable	3,210	-
Prepaid expenses	37,312	18,939
	<u>400,848</u>	1,110,995
INVESTMENTS (Note 3)	283,029	309,156
CAPITAL ASSETS (Note 4)	<u>1,321,099</u>	1,322,292
	<u>\$ 2,004,976</u>	<u>\$ 2,742,443</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 22,780	\$ 26,585
Due to government agencies (Note 5)	9,672	7,423
Wages payable	41,380	27,579
Unearned revenue and deposits (Note 6)	37,038	23,278
Deferred contributions (Note 7)	28,978	29,021
	<u>139,848</u>	113,886
CEBA LOAN PAYABLE (Note 8)	-	60,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	<u>151,080</u>	158,119
	<u>290,928</u>	332,005
NET ASSETS	<u>1,714,048</u>	2,410,438
	<u>\$ 2,004,976</u>	<u>\$ 2,742,443</u>

ON BEHALF OF THE BOARD

 Sandra Heath Director

 Ron Dyck Director

ISLAND ARTS CENTRE SOCIETY
Statement of Revenues and Expenditures
Year Ended August 31, 2024

	2024	2023
REVENUES		
Donations and other gifts <i>(Note 10)</i>	\$ 427,057	\$ 1,233,742
Sales, rentals and services <i>(Note 11)</i>	262,527	163,552
Federal and other government grants	148,015	166,009
Sponsorships	61,609	42,786
Other income	49,341	24,256
Capital replacement surcharge	24,002	15,034
Investment and foreign exchange income	20,039	20,731
	992,590	1,666,110
EXPENSES		
Administrative expenses <i>(Note 12)</i>	564,603	486,449
Arts programming <i>(Note 13)</i>	349,638	201,689
Facilities operations and related costs <i>(Note 14)</i>	91,927	90,628
General fundraising <i>(Note 15)</i>	11,378	7,344
	1,017,546	786,110
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(24,956)	880,000
OTHER ITEMS		
Endowment investment income	4,690	2,203
Amortization	(76,124)	(76,951)
	(71,434)	(74,748)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (96,390)	\$ 805,252

See notes to financial statements

ISLAND ARTS CENTRE SOCIETY
Statement of Changes in Net Assets
Year Ended August 31, 2024

	2023 Balance	Deficiency of revenues over expenses	Interfund Transfers	Contribution to Foundation	2024 Balance
Invested in capital assets	\$ 1,322,290	\$ (76,124)	\$ 73,215	\$ -	\$ 1,319,381
Endowment	983,027	-	(337,664)	(600,000)	45,363
Internally restricted	74,799	(40,904)	-	-	33,895
Externally restricted	115,654	24,088	2,835	-	142,577
Unrestricted	(85,332)	(3,450)	261,614	-	172,832
	<u>\$ 2,410,438</u>	<u>\$ (96,390)</u>	<u>\$ -</u>	<u>\$ (600,000)</u>	<u>\$ 1,714,048</u>

	2022 Balance	Deficiency of revenues over expenses	Interfund Transfers	2023 Balance
Invested in capital assets	\$ 1,395,128	\$ (76,951)	\$ 4,113	\$ 1,322,290
Endowment	38,470	2,203	942,354	983,027
Internally restricted	55,285	22,406	(2,892)	74,799
Externally restricted	119,225	(3,127)	(444)	115,654
Unrestricted	(2,922)	860,721	(943,131)	(85,332)
	<u>\$ 1,605,186</u>	<u>\$ 805,252</u>	<u>\$ -</u>	<u>\$ 2,410,438</u>

ISLAND ARTS CENTRE SOCIETY
Statement of Cash Flows
Year Ended August 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (96,390)	\$ 805,252
Item not affecting cash:		
Amortization of capital assets	76,124	76,951
	<u>(20,266)</u>	<u>882,203</u>
Changes in non-cash working capital:		
Accounts receivable	(3,210)	24
Prepaid expenses	(18,373)	(5,224)
Accounts payable	(3,804)	955
Due to government agencies	2,249	1,379
Wages payable	13,801	5,326
Unearned revenue and deposits	13,760	(15,028)
Deferred contributions	(43)	1,682
Deferred capital contributions	(7,039)	(6,897)
	<u>(2,659)</u>	<u>(17,783)</u>
Cash flow from (used by) operating activities	<u>(22,925)</u>	<u>864,420</u>
INVESTING ACTIVITIES		
Dispositions and interest on investments	26,127	(9,381)
Purchase of capital assets	(74,932)	(4,113)
Contribution to foundation	(600,000)	-
Cash flow used by investing activities	<u>(648,805)</u>	<u>(13,494)</u>
FINANCING ACTIVITY		
CEBA loan repayment	(60,000)	-
INCREASE (DECREASE) IN CASH FLOW	(731,730)	850,926
Cash - beginning of year	<u>1,092,056</u>	<u>241,130</u>
CASH - END OF YEAR	<u>\$ 360,326</u>	<u>\$ 1,092,056</u>

See notes to financial statements

ISLAND ARTS CENTRE SOCIETY

Notes to Financial Statements

Year Ended August 31, 2024

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.
-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Net assets

- a) Net assets invested in capital assets represents the organization's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with unrestricted and 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.

Cash and short term investments

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

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.

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ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

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

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.

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:

Buildings	40 years	straight-line method
Furniture and fixtures	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. Restricted capital contributions are amortized at the same rate as the capital asset and recognized as income in the year

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.

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ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

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

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>2024</u>	<u>2023</u>
Term deposits	\$ 237,666	\$ 268,483
Philip, Hager & North fund	45,363	40,673
	<u>\$ 283,029</u>	<u>\$ 309,156</u>

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 Victoria Foundation are capitalized in perpetuity. Only the income generated by these funds are made available to the society. The investments held with the Victoria Foundation total \$600,000 and are not presented as an asset of the Society.

No grants were received from the Victoria Foundation during the 2024 fiscal year.

ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Buildings	\$ 2,298,528	\$ 1,276,527	\$ 1,022,001	\$ 1,012,472
License	141,400	-	141,400	141,400
Steinway piano	78,808	-	78,808	78,808
Furniture and fixtures	209,738	190,320	19,418	21,576
Musical and theatre equipment	175,668	127,841	47,827	55,461
Computers	62,806	54,299	8,507	8,537
Equipment	40,569	37,586	2,983	3,728
Software	16,319	16,164	155	310
	\$ 3,023,836	\$ 1,702,737	\$ 1,321,099	\$ 1,322,292

5. DUE TO GOVERNMENT AGENCIES

	2024	2023
Payroll deductions	\$ 9,022	\$ 6,821
WorksafeBC	650	575
GST Payable	-	27
	\$ 9,672	\$ 7,423

6. UNEARNED REVENUE AND DEPOSITS

	2024	2023
Unredeemed box office credits	\$ 12,504	\$ 11,677
Box Office Ticket Sales	11,861	538
Rental deposits	6,856	6,332
Unredeemed Gift Certificates	5,817	4,731
	\$ 37,038	\$ 23,278

7. DEFERRED CONTRIBUTIONS

	2024	2023
Capital Regional District tax levy	\$ 28,978	\$ 29,021

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

ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

8. CEBA LOAN PAYABLE

In April 2020, the Society received \$60,000 related to the Canada Emergency Business Account (CEBA) loan. CEBA is an interest-free loan launched by the Government of Canada to ensure that businesses, not-for-profit organizations and charities have access to capital during the COVID-19 pandemic and can only be used to pay non-deferrable operating expenses.

Any remaining balance after December 31, 2023 will be converted to a three year term loan with a fixed interest of 5% per annum.

\$40,000 of the loan was repaid on November 30, 2023 and \$20,000 of loan forgiveness was recognized as other income for the 2024 fiscal year.

9. DEFERRED CAPITAL CONTRIBUTIONS

	2024	2023
Beginning balance		
	\$ 158,119	\$ 165,016
Deferred capital contributions received during the year	-	-
Deferred capital contribution recognized as revenue during the year	(7,039)	(6,897)
	\$ 151,080	\$ 158,119

10. DONATIONS AND OTHER GIFTS

	2024	2023
Donations	\$ 240,870	\$ 1,110,024
Treasure fair	125,396	68,131
Annual appeal	60,791	55,587
	\$ 427,057	\$ 1,233,742

11. SALES AND RENTALS

	2024	2023
House event ticket sales	\$ 185,971	\$ 99,340
Theatre rentals	61,539	50,450
Exhibition rentals	15,017	13,762
	\$ 262,527	\$ 163,552

ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

12. ADMINISTRATIVE EXPENSES

	2024	2023
Advertising and printing	\$ 21,948	\$ 12,805
Contract services	24,896	52,291
Insurance	850	1,220
Interest and bank charges	8,341	7,294
License	13,517	10,961
Office	22,688	12,917
Organizational development	17,500	13,428
Professional fees	7,675	6,663
Telephone	4,843	5,885
Travel	5,562	5,241
Wages	436,784	357,744
	\$ 564,604	\$ 486,449

13. ARTS PROGRAMMING

	2024	2023
Advertising	\$ 27,375	\$ 26,033
Artist	206,887	105,902
Artist travel and accomodation	35,383	22,269
Contract services	3,126	2,557
Educational workshop	15,989	17,271
Hospitalities	4,408	2,444
Royalties	6,742	4,002
Supplies	13,069	5,872
Wages	36,659	15,339
	\$ 349,638	\$ 201,689

14. FACILITY OPERATIONS AND RELATED COSTS

	2024	2023
Garbage	\$ 1,370	\$ 1,240
Grounds maintenance	14,093	16,201
Hydro	18,947	20,536
Insurance	12,510	12,876
Janitorial	7,753	270
License	183	171
Repairs and maintenance	10,455	10,941
Security	2,454	2,095
Supplies	8,764	4,425
Wages	11,120	14,026
Water/sewer	4,278	7,847
	\$ 91,927	\$ 90,628

ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

15. GENERAL FUNDRAISING

	2024	2023
Treasure fair	\$ 11,377	\$ 7,171
Annual appeal	-	173
	\$ 11,377	\$ 7,344

16. 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, 2024.

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.

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.

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. The society is mainly exposed to other price risk.

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.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant other price risks arising from these financial instruments.

ISLAND ARTS CENTRE SOCIETY
Notes to Financial Statements
Year Ended August 31, 2024

17. ENDOWMENT FUNDS WITH VANCOUVER FOUNDATION AND VICTORIA FOUNDATION

	<u>2024</u>	<u>2023</u>
Victoria Foundation	\$ 931,973	\$ -
Vancouver Foundation	<u>245,059</u>	<u>222,188</u>
	<u>\$ 1,177,032</u>	<u>\$ 222,188</u>

The society is the beneficiary of endowment funds held by the Vancouver Foundation and the Victoria Foundation. These funds are capitalized in perpetuity. Only the income generated by these funds are made available to the society.

These endowments are not presented as an asset of the society, and were the recipient of matching grants from the Department of Canadian Heritage.

During the fiscal year, the society transferred \$600,000 to the Victoria Foundation. No grants were received from the Victoria Foundation during the 2024 fiscal year.

During the fiscal year, the society received grants of \$4,689 from the Vancouver Foundation.

18. 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 paid remuneration in excess of \$75,000 to one employee.
