

P.E.I. Arts Guild Inc.

Financial Statements
March 31, 2023



Member of The AC Group of Independent Accounting Firms

May 16, 2023

Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of P.E.I. Arts Guild Inc., which comprise the statement of financial position as at March 31, 2023, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of P.E.I. Arts Guild Inc. as at March 31, 2023, 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.

Basis of Qualified Opinion

In common with many charities, P.E.I. Arts Guild Inc. derives revenue from donations and sponsorships, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of P.E.I. Arts Guild Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations and sponsorships revenue, excess revenue (expenses), and cash flows from operations for the years ended March 31, 2023 and March 31, 2022, current assets as at March 31, 2023 and March 31, 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 P.E.I. Arts Guild Inc. in accordance with the 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 qualified audit 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 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.

In preparing the financial statements, management is responsible for assessing P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the P.E.I. Arts Guild Inc.'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.
- 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 P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc.'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 P.E.I. Arts Guild Inc. 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

P.E.I. Arts Guild Inc.
Statement of Financial Position
As at March 31, 2023

	2023 \$	2022 \$
Assets (note 5)		
Current assets		
Cash	28,385	118,818
Accounts receivable	8,987	3,869
Government contributions receivable	48,448	72,389
HST receivable	2,209	2,953
Inventory	2,122	2,122
Prepaid expenses	875	10,610
	91,026	210,761
Capital assets (note 3)	387,181	464,064
	478,207	674,825
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	26,886	25,763
Advance ticket sales deposits	9,531	10,946
	36,417	36,709
Deferred capital contributions (note 4)	368,218	439,133
	404,635	475,842
Contingency (note 7)		
Net Assets		
Unrestricted	73,572	198,983
	478,207	674,825

Approved by the Board of Directors

_____ Director

_____ Director

P.E.I. Arts Guild Inc.

Statement of Changes in Net Assets For the year ended March 31, 2023

	2023	2022
	\$	\$
Net assets - Beginning of year	198,983	163,555
Excess revenue (expenses) for the year	<u>(125,411)</u>	<u>35,428</u>
Net assets - End of year	<u>73,572</u>	<u>198,983</u>

P.E.I. Arts Guild Inc.
Statement of Operations
For the year ended March 31, 2023

	2023	2022
	\$	\$
Revenue		
Government contributions		
Province of Prince Edward Island: operational	58,000	58,000
Programming grants	87,500	72,500
Property tax	33,684	25,337
Wage subsidy	102,734	112,798
City of Charlottetown - operational	55,000	55,000
Other grants	14,506	5,500
Wage subsidies other	20,941	-
Sales - performance hall bar	16,848	16,468
Ticket surcharges	20,392	17,364
Facility fee	-	7,026
Performance hall fees	102,011	142,044
Premises rents	54,513	53,684
Donations and sponsorships	137,247	44,132
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	703,376	609,853
Expenses		
Performance hall bar supplies	16,825	13,087
Wages and benefits	425,548	478,472
Property tax	33,684	25,337
Bookkeeping services	22,800	21,350
Professional fees	6,000	4,977
Marketing and advertising	29,851	27,717
Office	15,170	16,498
Service charges	8,841	9,625
Music theatre school	26	20,831
Insurance	15,121	12,536
Interest and bank charges	1,289	1,372
Business development and meetings	5,069	2,981
Repairs and maintenance	36,924	25,235
Telephone and internet	7,389	7,467
Utilities	54,274	48,418
Special projects	139,134	46,432
	<hr/>	<hr/>
	817,945	762,335
Operating loss	<hr/>	<hr/>
	(114,569)	(152,482)
Other income (expense)		
Amortization of capital assets	(76,882)	(78,500)
Amortization of deferred capital contributions	70,915	71,695
Government assistance	(4,875)	194,715
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	(10,842)	187,910
Excess revenue (expenses) for the year	<hr/>	<hr/>
	(125,411)	35,428

P.E.I. Arts Guild Inc.
Statement of Cash Flows
For the year ended March 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenses) for the year	(125,411)	35,428
Items not affecting cash		
Amortization of capital assets	76,882	78,500
Amortization of deferred capital contributions	(70,915)	(71,695)
	(119,444)	42,233
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(5,118)	3,955
Decrease (increase) in government contributions receivable	23,941	(31,837)
Decrease (increase) in HST receivable	744	(2,953)
Decrease (increase) in prepaid expenses	9,736	(1,974)
Increase in accounts payable and accrued liabilities	1,123	6,066
Decrease in HST payable	-	(2,208)
Increase (decrease) in advance ticket sales deposits	(1,415)	9,001
	(90,433)	22,283
Financing activities		
Increase in demand loan	-	10,000
Payments on demand loan	-	(10,000)
	-	-
Investing activity		
Increase in capital assets	-	(1,235)
Increase (decrease) in cash	(90,433)	21,048
Cash - Beginning of year	118,818	97,770
Cash - End of year	28,385	118,818

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2023

1 Purpose of the organization

P.E.I. Arts Guild Inc.'s vision is to operate a facility in Charlottetown dedicated to arts and culture organizations, and individuals and groups involved in the arts and culture industry on Prince Edward Island. The organization supports emerging and established PEI artists to produce their art and present it to their fellow Islanders and visitors alike. The P.E.I. Arts Guild Inc. is a registered Canadian charity and accordingly is not taxable under provisions of the Income Tax Act.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash

Cash is comprised of cash in bank accounts.

Inventory

Inventory is valued at the lower of cost, using the first-in first-out method, and market value.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on date of receipt.

Amortization of capital assets is calculated using the straight-line method as follows:

Building	10%
Building improvements	10%
Equipment	10%

Building improvements were formerly leasehold improvements prior to transfer of the land and building to P.E.I. Arts Guild Inc. in 2018. Additions to the building have been included in the building account starting in 2019.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is in excess of the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2023

Deferred capital contributions

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

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. When the organization is not acting as principal in a transaction, it recognizes only the net amount received.

Government assistance

Government assistance related to operations is recorded as other income in the Statement of Operations.

Government assistance related to capital purchases is deferred and amortized on the same basis as the related assets.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and inventory, and the estimated useful life of capital assets. Actual results could differ from those estimates.

Financial instruments

(a) Measurement of financial instruments

P.E.I. Arts Guild Inc.'s financial instruments consist of cash, accounts receivable, government contributions receivable and accounts payable and accrued liabilities.

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2023

(b) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue (expenses). A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue (expenses) for the year.

(c) Risks

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The organization is exposed to credit risk in connection with the collection of accounts receivable. The organization mitigates this risk by performing continuous evaluation of its accounts receivable.
- ii) Liquidity risk: The organization's exposure to liquidity risk is dependent on the timing of receipt of revenue and payment of expenses, and the sale of inventory and collection of accounts receivable to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

3 Capital assets

			2023	2022
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	143,000	-	143,000	143,000
Building	431,268	242,610	188,658	231,812
Building improvements	1,041,774	1,012,456	29,318	50,664
Equipment	386,711	360,506	26,205	38,588
	2,002,753	1,615,572	387,181	464,064

P.E.I. Arts Guild Inc.

Notes to Financial Statements

March 31, 2023

4 Deferred capital contributions

			2023	2022
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	143,000	-	143,000	143,000
Building	288,000	172,800	115,200	144,000
Equipment and building improvements	1,408,206	1,298,188	110,018	152,133
	1,839,206	1,470,988	368,218	439,133

Deferred capital contributions consist of \$843,520 (2022 - \$843,520) from Atlantic Canada Opportunities Agency, \$379,261 (2022 - \$379,261) from the Federal Department of Canadian Heritage, and \$185,425 (2022 - \$185,425) from the Province of Prince Edward Island. A contribution of \$431,000 regarding land and building transferred on the dissolution of the former Prince Edward Island Council of the Arts is also included in deferred capital contributions.

5 Security for bank advances and demand loan

P.E.I. Arts Guild Inc. has a line of credit in the amount of \$25,000. Interest rate is 10.58% per annum. Interest is payable monthly, in arrears, on the same day each month as determined by the Bank. The balance of the line of credit was nil at March 31, 2023 (2022 - nil).

A general security agreement constituting a first ranking security interest in the undertaking and all personal property of the P.E.I. Arts Guild Inc. has been pledged as security for the organization's demand loan, which was nil at March 31, 2023.

6 Economic dependence

P.E.I. Arts Guild Inc. receives a significant portion of annual revenue from government funding. The organization's ability to continue operations is dependent upon maintaining this funding from government.

7 Contingency

P.E.I. Arts Guild Inc. has been named in a legal dispute which is in the process of final settlement and release with the outcome fully covered by insurance.

8 Activity

In fiscal 2023, the organization had 121 (2022 - 116) performances, 52 (2022 - 77) rehearsals, 14 (2022 - 16) classes in dance, theatre and visual arts and 13 (2022 - 14) gallery exhibits. P.E.I. Arts Guild Inc. managed cash from ticket receipts totaling \$133,273 (2022 - \$152,659) during the year.