

**RESOURCE CENTRE FOR THE ARTS -
HALL OPERATIONS FUND**

UNAUDITED FINANCIAL STATEMENTS

For The Year Ended August 31, 2008

JOHN F. MORGAN

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REVIEW ENGAGEMENT REPORT

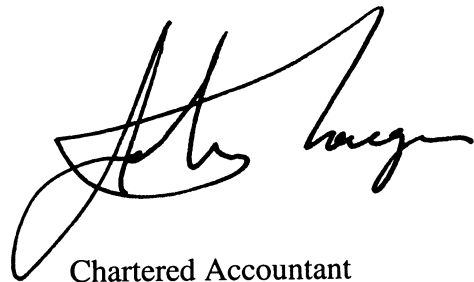
To the Members:

We have reviewed the balance sheet of Resource Centre for the Arts - Hall Operations Fund as at August 31, 2008 and the statement of revenue and expenses and accumulated surplus and statement of cash flows for the year then ended. Our review was made in accordance with generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

St. John's, Newfoundland
October 31, 2008



Chartered Accountant

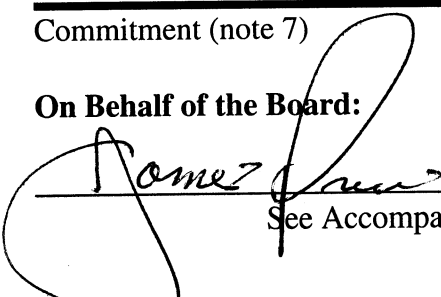
RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

BALANCE SHEET (Unaudited) AS AT AUGUST 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	\$ 27,003	\$ 5,809
Cash - Capital Construction Project (note 6)	488,040	-
Accounts receivable	5,040	2,500
Due from Gallery Fund	65	1,587
Inventory	-	108
	520,148	10,004
Investment	-	477,173
Capital construction project	27,731	20,687
Capital assets (note 2)	16,731	19,827
	\$ 564,610	\$ 527,691
LIABILITIES AND OPERATING DEFICIT		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,242	\$ 47,315
Due to Theatre Fund (note 4)	26,287	1,194
HST payable	1,134	1,147
Deferred revenue (note 3)	6,250	13,718
Due to Director	-	300
	48,913	63,674
Equity Contribution		
Government of Newfoundland and Labrador (note 6)	500,000	500,000
ACCUMULATED SURPLUS (DEFICIT)	15,697	(35,983)
	515,697	464,017
	\$ 564,610	\$ 527,691

Commitment (note 7)

On Behalf of the Board:



See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Accountant

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

STATEMENT OF REVENUES, EXPENSES AND ACCUMULATED SURPLUS (Unaudited) FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
REVENUES		
Grants and sponsorships (note 5)	\$ 94,771	\$ 69,592
Rental Revenue	54,927	59,952
Bar Revenue	21,710	18,088
Theatre Contribution	21,000	21,000
Fundraising, donations and memberships	19,256	42,694
Interest income	16,318	14,269
Building Repair Fund	10,112	8,336
Capital Projects	2,000	-
Gallery Contribution	2,000	4,000
Other revenue	856	4,698
	<u>242,950</u>	<u>242,629</u>
EXPENSES		
Salaries, benefits and independent contractors	115,684	141,675
Utilities and telephone	16,667	15,006
Accounting fees	13,575	13,800
Bar operating	10,219	12,305
Insurance	8,349	9,283
Bank charges and interest	7,380	7,028
Office supplies and postage	4,569	4,383
Repairs and maintenance	3,415	6,278
Amortization	3,097	3,941
Municipal taxes	2,285	1,425
Advertising and promotion	1,988	1,560
Equipment	1,620	1,482
Miscellaneous	1,267	3,027
Fundraising	705	862
Security	450	185
Capacity Building	-	1,177
	<u>191,270</u>	<u>223,417</u>
Excess of revenue over expenses	51,680	19,212
Accumulated deficit, beginning of year	(35,983)	(55,195)
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR \$	<u>15,697</u>	<u>\$ (35,983)</u>

Commitment (note 7)

See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Accountant

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

STATEMENT OF CASH FLOWS (Unaudited) FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
OPERATING ACTIVITIES:		
Excess of revenue over expenses (expenses over revenue)	\$ 51,680	\$ 19,212
Items not affecting cash:		
Amortization of capital assets	3,097	3,941
Changes in non-cash working capital	(41,987)	1,103
Cash from (provided for) operating activities	12,790	24,256
INVESTING ACTIVITIES:		
Investment - GIC	477,173	(477,173)
Capital construction project	(7,044)	(20,687)
Cash from (provided for) investing activities	470,129	(497,860)
FINANCING ACTIVITIES:		
Advances from (to) Gallery Fund	1,522	(9,362)
Advances from (to) NDW Fund	-	(1,288)
Advances from (to) Theatre Fund	25,093	(22,082)
Advances from Director	(300)	300
Equity contribution – Gov't of Newfoundland & Labrador	-	500,000
Cash from (provided by) financing activities	26,315	467,568
Net increase (decrease) in cash	509,234	(6,036)
Cash, beginning of year	5,809	11,845
CASH, END OF YEAR	\$ 515,043	\$ 5,809
Cash, end of year consists of:		
Cash	\$ 27,003	\$ 5,809
Cash – Capital Construction Project	488,040	-
	\$ 515,043	\$ 5,809
Commitment (note 7)		

See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Accountant

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2008

General

The fund is one of three funds that constitute the Resource Centre for the Arts. The organization operates as a charity and, as such, maintains that status for income tax purposes. The organization's mission is to develop, promote and present indigenous Newfoundland and Labrador art and artists.

1. Significant Accounting Policies:

These financial statements have been prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

Capital Assets and Amortization:

Capital assets are recorded at cost. Effective for the year ended August 31, 1999, the fund started to amortize its assets using the following methods of amortization set out below:

Equipment	20% declining balance
Computer	30% declining balance

The Resource Centre for the Arts owns a building at 3 Victoria Street, St. John's Newfoundland which has been fully depreciated.

Capital Construction Project:

The building which the Resource Centre for the Arts occupies is undergoing renovations. All costs incurred to date relating to these renovations have been capitalized. The funds received for these renovations have been segregated and are not available for current use.

Revenue Recognition:

Resource Centre for the Arts – Hall Operations Funds follows the deferral method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recognized on a cash basis.

Rental revenue is recognized as revenue when earned.

Interest income is recognized as revenue on an accrual basis.

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2008

2. Capital Assets:

	<u>2008</u>			<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Equipment	\$ 134,271	\$ 123,459	\$ 10,812	\$ 13,515
Computer	3,851	2,932	919	1,312
Land	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u>\$ 143,122</u>	<u>\$ 126,391</u>	<u>\$ 16,731</u>	<u>\$ 23,768</u>

3. Deferred Revenue:

Deferred revenue consists of grant revenue which had not been earned by year end due to either the grant funds not having been used by year end or the grant which was issued for a stated period, had not expired by year end.

4. Related Party Transactions:

During the year Resource Centre for the Arts - Hall Operations Fund received rent revenue from Gallery Fund of \$2,000 and insurance contribution of \$1,000. The Hall Operations Fund also received rent and salary contribution of \$21,000 from the Theatre Fund and Theatre Rental Revenue of \$10,050.

As at August 31, 2008 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$26,287 (2007 - \$1,194). This amount is non-interest bearing and has no fixed terms of repayment. On August 28, 2008 a deposit was made in error to the Resource Centre for the Arts – Hall Operations Fund for \$21,656. This amount was related to a grant from the Newfoundland and Labrador Arts Council which was intended for the Resource Centre for the Arts – Theatre Fund. On September 5, 2008 the \$21,656 was paid to the Resource Centre for the Arts – Theatre Fund to correct this error.

As at August 31, 2008 the Resource Centre for the Arts – Gallery Fund owed the Resource Centre for the Arts – Hall Operations Fund \$65. This amount is non-interest bearing and has no fixed terms of repayment.

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2008

5. Grants and Sponsorships:

Grant and sponsorship revenue for the year consists of the following:

	<u>2008</u>	<u>2007</u>
Cultural Economic Development Program	\$ 66,218	42,500
City of St. John's	3,800	3,800
Human Resources Development Canada - JCP	11,421	-
Molson	5,000	-
Royal Bank of Canada	5,000	-
Human Resources and Employment	3,332	9,546
ACOA	-	13,746
	<u>\$ 94,771</u>	<u>\$ 69,592</u>

6. Capital Project Funding:

On November 6, 2006 the Resource Centre for the Arts received \$500,000 from the Department of Tourism, Province of Newfoundland and Labrador. These funds were to support the capital renovation program for the LSPU Hall. In addition to the \$500,000 already received, the Resource Centre for the Arts has a contribution agreement for \$500,000 from the Department of Canadian Heritage and another \$500,000 from the City of St. John's. The Resource Centre for the Arts has managed the funds received to date as follows:

Initial Grant		\$500,000
O'Neill Foundation		2,000
Interest earned to August 31, 2008		<u>30,587</u>
		532,587
Less: Architect Fees PHB Group		23,584
McLoughlin Supplies		929
Nutron Electric		895
Bank Charges		100
Cheque purchase		123
Capital project related salaries		5,430
Transfer to Hall Operations	\$ 1,700	
General funds	<u>11,786</u>	<u>13,486</u>
		<u>\$488,040</u>

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2008

7. Commitment:

On June 13, 2008 Gallery Fund incorporated its own entity, A1C Gallery Inc., and ceased operations under the Resource Centre for the Arts. The bank account for Gallery Fund was closed on August 18, 2008 and the balance was recorded as a contribution to A1C Gallery Inc. As part of the separation agreement, Resource Centre for the Arts agreed to provide a \$7,000 payment during the 2008/2009 fiscal year and a \$6,000 payment during 2009/2010 fiscal year. The agreement stated that all contractual obligations or incurred debt of the Gallery Fund would be the responsibility of the new organization. Any outstanding obligations of the Gallery Fund will be settled prior to the release of the funds from the Resource Centre for the Arts. The Resource Centre for the Arts has also agreed to provide \$22,000 for equipment purchases provided funding to the Resource Centre for the Arts becomes available.

8. Donation:

During the year the Resource Centre for the Arts received approximately 1,000 St. John's Water Street cobblestones valued at \$15.00 each by an independent appraiser. The value of the contribution and the cobblestones has not been included in these financial statements. The Resource Centre for the Arts plans on using the cobblestones as a fundraiser to aid in the renovations of the LSPU Hall.