

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

**UNAUDITED FINANCIAL STATEMENTS
For The Year Ended August 31, 2016**

JOHN F. MORGAN

Chartered Professional Accountants

6 Lambe's Lane

St. John's, NL A1B 4E9

Office: (709) 576-6776

Fax: (709) 576-6777

REVIEW ENGAGEMENT REPORT

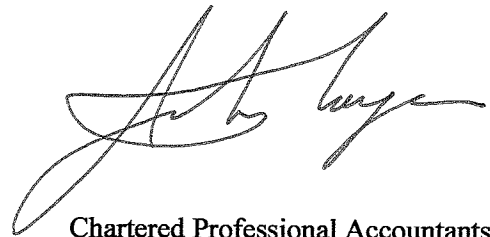
To the Members:

We have reviewed the balance sheet of Resource Centre for the Arts - Hall Operations Fund as at August 31, 2016 and the statements of operations and cash flows for the year then ended. Our review was made in accordance with Canadian accounting standards for not-for-profit organizations 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 Canadian accounting standards for not-for-profit organizations.

St. John's, Newfoundland
December 2, 2016



Chartered Professional Accountants

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

BALANCE SHEET (Unaudited) AS AT AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash	\$ 91,133	\$ 115,093
Cash - Capital	(828)	2,438
Prepaid expenses	6,071	2,009
Accounts receivable	7,082	9,135
Inventory	1,393	867
HST recoverable	7,696	3,771
	<u>112,547</u>	<u>133,313</u>
Capital assets (note 2)	1,531,030	1,591,716
	<u>\$ 1,643,577</u>	<u>\$ 1,725,029</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 23,967	\$ 15,234
Employee deductions payable	4,343	4,102
Due to Theatre Fund (note 4)	16,548	14,076
Deferred revenue (note 3)	91,473	112,494
	<u>136,331</u>	<u>145,906</u>
Deferred contribution		
- Capital Construction Project (note 6)	1,487,363	1,568,859
	<u>1,623,694</u>	<u>1,714,765</u>
NET ASSETS	<u>19,883</u>	<u>10,264</u>
	<u>\$ 1,643,577</u>	<u>\$ 1,725,029</u>

On Behalf of the Board:

B. Stapleton
Chair

Marlene Cahill

See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Professional Accountants

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

STATEMENT OF OPERATIONS (Unaudited) FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUES		
Grants and Sponsorships (note 5)	\$ 199,923	\$ 213,146
Deferred Contributions – Capital Project (note 6)	81,496	88,845
Rental Revenue	97,566	82,226
Bar Revenue	31,994	25,640
Programming Revenue	17,086	10,345
Ticket Surcharge	16,444	11,973
Fundraising, Donations and Memberships	14,525	13,492
Building Repair Fund	14,377	10,329
Theatre Contribution (note 4)	8,600	8,600
In-kind Contributions (note 8)	6,650	6,457
Other Revenue	2,454	362
	<u>491,115</u>	<u>471,415</u>
EXPENSES		
Salaries, benefits and independent contractors	227,802	219,921
Amortization	83,808	88,845
Programming expenses	32,848	22,289
Utilities and telephone	24,788	29,653
Repairs and maintenance	22,827	14,296
Professional fees	22,060	21,910
Bar operating	17,823	15,460
Capital maintenance	16,563	5,409
Insurance	13,275	13,119
Non-recoverable HST	5,781	2,554
Advertising and promotion	4,268	21,215
Office supplies and postage	3,303	3,570
Service charges and interest	2,685	3,786
Fundraising	2,403	2,362
Municipal taxes	962	760
Miscellaneous	255	338
Equipment	45	731
	<u>481,496</u>	<u>466,218</u>
Excess of revenues over expenses	9,619	5,197
Net assets, beginning of year	10,264	5,067
NET ASSETS, END OF YEAR	<u>\$ 19,883</u>	<u>\$ 10,264</u>

See Accompanying Notes to Unaudited Financial Statements

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

STATEMENT OF CASH FLOWS (Unaudited) FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 9,619	\$ 5,197
Items not affecting cash:		
Amortization of capital assets	83,808	88,845
Amortization of deferred contribution – capital project	(81,496)	(88,845)
Changes in non-cash working capital	(18,508)	67,384
Cash from (provided for) operating activities	(6,577)	72,581
INVESTING ACTIVITIES:		
Purchase of capital assets	(23,121)	(5,948)
Cash from (provided for) investing activities	(23,121)	(5,948)
FINANCING ACTIVITIES:		
Advances from (to) Theatre Fund	2,472	(3,922)
Cash from (provided by) financing activities	2,472	(3,922)
Net increase (decrease) in cash	(27,226)	62,711
Cash, beginning of year	117,531	54,820
CASH, END OF YEAR	\$ 90,305	\$ 117,531
Cash, end of year consists of:		
Cash	\$ 91,133	\$ 115,093
Cash – Capital	(828)	2,438
	\$ 90,305	\$ 117,531

See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Professional Accountants

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2016

General

The fund is one of two 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. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, 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:

Building	4% declining balance
Building soft costs	4% declining balance
Equipment	20% declining balance
Software	20% declining balance
Seating	20% declining balance
Computer	30% declining balance

Revenue Recognition:

Resource Centre for the Arts – Hall Operations Fund 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.

Contributions relating to the capital construction project have been deferred and will be recognized on the same basis as the related capital assets are amortized.

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, 2016

1. Summary of Significant Accounting Policies (Continued):

Fair Value of Financial Instruments

The Organization has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value, unless otherwise indicated.

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- Cash and cash equivalents
- Trade and other receivables
- Due from (to) companies under common control
- Bank indebtedness
- Payables and accruals
- Long-term debt

A financial asset or liability is recognized when the Organization becomes party to contractual provisions of the instruments.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets and financial liabilities are subsequently measured according to the following methods:

<i>Financial instrument</i>	<i>Subsequent measurement</i>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Due from (to) companies under common control	Amortized cost
Bank indebtedness	Amortized cost
Payables and accruals	Amortized cost
Long-term debt	Amortized cost

The Organization removes financial liabilities, or portion of, when the obligation is discharged, cancelled or expires.

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the Year Ended August 31, 2016

2. Capital Assets:

	<u>2016</u>			<u>2015</u>
	Cost	Accumulated Amortization	Net	Net
Building	\$ 2,036,166	\$ 848,911	\$ 1,187,255	\$ 1,236,724
Equipment	340,003	241,779	98,224	96,768
Building – soft costs	297,061	69,185	227,876	237,371
Seating	48,350	36,943	11,407	14,259
Computer	3,851	3,798	53	76
Software	4,188	2,973	1,215	1,518
Land	5,000	-	5,000	5,000
	<u>\$ 2,734,619</u>	<u>\$ 1,203,589</u>	<u>\$ 1,531,030</u>	<u>\$ 1,591,716</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 the following amounts from Resource Centre for the Arts – Theatre Fund:

	<u>2016</u>	<u>2015</u>
Theatre Rental – LSPU Hall	\$ 12,739	\$ 10,386
Salary contribution	7,000	7,000
Office Rental	8,600	8,600
	<u>\$ 28,339</u>	<u>\$ 25,986</u>

As at August 31, 2016 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$16,548 (2015 – \$14,076).

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the Year Ended August 31, 2016

5. Grants and Sponsorships:

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

	<u>2016</u>	<u>2015</u>
Cultural Economic Development Program	\$ 100,000	100,000
City of St. John's	50,000	50,000
Department of Canadian Heritage	25,000	25,000
Government of Newfoundland and Labrador	8,673	11,184
AW Harvey	5,000	2,500
Exxon Mobil	5,000	-
Cox and Palmer	2,500	5,000
Redpoll Foundation	2,500	-
Public Service Credit Union	1,250	-
ACOA	-	13,212
Vale	-	5,000
Atlantic Lottery	-	1,250
	<u>\$ 199,923</u>	<u>\$ 213,146</u>

6. Capital Project Funding:

In 2009, Resource Centre for the Arts received \$2,210,652 from the following organizations to support the capital renovation project for the LSPU Hall:

City of St. John's	\$ 621,045
Department of Canadian Heritage	609,255
Government of Newfoundland and Labrador	603,000
Atlantic Canada Opportunities Agency	302,056
Government of Newfoundland and Labrador – INTRD	47,696
Department of Canadian Heritage – Equipment Funding	27,600
	<u>\$ 2,210,652</u>

This amount has been recorded as deferred contribution – capital construction project and is being recognized on the same basis as the related capital assets are being amortized.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,568,859	\$ 1,657,704
Less: amortization of deferred contributions	(81,496)	(88,845)
Balance, end of year	<u>\$ 1,487,363</u>	<u>\$ 1,568,859</u>

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2016

7. Comparative Amounts:

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted in the current year.

8. In-Kind Contributions:

In-kind contributions were received from Molson in the amount of \$1,650 (2015 – \$1,457) and from Cox & Palmer in the amount of \$5,000 (2015 – \$5,000). The amount from Molson was recorded as in-kind revenue and bar operating expenses. The amount from Cox & Palmer was recorded as in-kind revenue and legal expenses.