

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

**UNAUDITED FINANCIAL STATEMENTS  
For The Year Ended August 31, 2017**

# ***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**

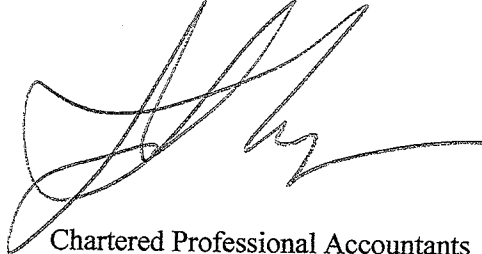
To the Members:

We have reviewed the balance sheet of Resource Centre for the Arts - Hall Operations Fund as at August 31, 2017 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 7, 2017



Chartered Professional Accountants

# RCA Hall Operations

## Balance Sheet

As at August 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash	\$ 92,873	\$ 91,133
Cash - Capital	888	(828)
Prepaid expenses	2,673	6,070
Accounts receivable	8,098	7,082
Inventory	1,858	1,393
HST recoverable	2,418	7,696
	<u>108,808</u>	<u>112,546</u>
Capital assets (Note 2)	1,452,702	1,531,030
	<u>\$1,561,510</u>	<u>\$1,643,576</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 31,899	\$ 28,306
Due to Theatre Fund (Note 4)	16,112	16,550
Deferred revenue (Note 3)	92,182	91,474
	<u>140,193</u>	<u>136,330</u>
Deferred contribution - Capital Construction Project (Note 6)	1,412,735	1,487,363
	<u>1,552,928</u>	<u>1,623,692</u>
<b><u>SHAREHOLDER'S EQUITY</u></b>		
Net assets	8,582	19,883
	<u>\$1,561,510</u>	<u>\$1,643,576</u>



See accompanying notes to unaudited financial statements

*John F. Morgan, Chartered Professional Accountants*

**RCA Hall Operations**  
**Statement of Operations**  
**For the year ended August 31, 2017**  
**(Unaudited)**

	2017	2016
<b>REVENUE</b>		
Grants and Sponsorships (Note 5)	\$ 194,717	\$ 199,923
Deferred Contributions - Capital Project (Note 6)	74,628	81,496
Rental Revenue	89,977	97,566
Bar Revenue	33,908	31,994
Programming Revenue	37,082	17,086
Ticket Surcharge	18,862	16,444
Fundraising, Donations and Memberships	10,477	14,525
Building Repair Fund	16,537	14,377
Theatre Contribution (Note 4)	8,600	8,600
In-Kind Contributions (Note 8)	6,856	6,650
Other revenue	3,219	2,453
	<b>494,863</b>	<b>491,114</b>
<b>EXPENSES</b>		
Salaries, benefits, and independent contractors	234,928	227,802
Amortization	78,328	83,808
Programming expenses	43,702	32,848
Repairs and maintenance	28,770	22,827
Professional fees	22,690	22,060
Bar Operating	20,980	17,823
Utilities and telephone	20,387	24,788
Capital maintenance	17,738	16,563
Insurance	15,268	13,275
Advertising and promotion	6,350	4,268
Non-Recoverable HST	6,063	5,781
Fundraising	3,975	2,403
Service charges and interest	1,811	2,685
Office supplies and postage	3,544	3,303
Municipal Taxes	652	962
Equipment	505	45
Miscellaneous	473	255
	<b>506,164</b>	<b>481,496</b>
<b>Excess of revenues over expenses</b>	<b>(11,301)</b>	<b>9,618</b>
Net assets, beginning of year	19,883	10,265
<b>Net assets, end of year</b>	<b>\$ 8,582</b>	<b>\$ 19,883</b>

See accompanying notes to unaudited financial statements

*John F. Morgan, Chartered Professional Accountants*

**RCA Hall Operations**  
**Statement of Cash Flows**  
**For the year ended August 31, 2017**  
**(Unaudited)**

	<b>2017</b>	<b>2016</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (11,301)	\$ 9,618
Amortization of capital assets	78,328	83,808
Amortization of deferred contributions	(74,628)	(81,496)
Changes in non-cash working capital	12,708	(18,509)
	<u>5,107</u>	<u>(6,579)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	-	(23,121)
<b>FINANCING ACTIVITIES</b>		
Advances from (to) Theatre Fund	(436)	2,473
<b>Net increase (decrease) in cash</b>	<b>4,671</b>	<b>(27,227)</b>
Cash, beginning of year	90,304	117,532
<b>Cash, end of year</b>	<b>\$ 94,975</b>	<b>\$ 90,305</b>
<b>Cash, end of year consists of:</b>		
Cash	\$ 92,873	\$ 91,133
Cash - Capital	888	(828)
	<u>\$ 93,761</u>	<u>\$ 90,305</u>

See accompanying notes to unaudited financial statements

*John F. Morgan, Chartered Professional Accountants*

**RCA Hall Operations**  
**Notes to Financial Statements**  
**For the year ended August 31, 2017**  
**(Unaudited)**

**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.

**RCA Hall Operations**  
**Notes to Financial Statements**  
**For the year ended August 31, 2017**  
**(Unaudited)**

**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:

<b>Financial instrument</b>	<b>Subsequent measurement</b>
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.

**RCA Hall Operations**  
**Notes to Financial Statements**  
**For the year ended August 31, 2017**  
**(Unaudited)**

**2. CAPITAL ASSETS**

	2017		2016	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building	\$ 2,036,166	\$ 896,401	\$ 1,139,765	\$ 1,187,255
Equipment	340,002	263,274	76,728	98,224
Building - soft costs	297,061	78,300	218,761	227,876
Seating	48,350	39,224	9,126	11,407
Computer	3,851	3,814	37	53
Software	4,188	3,216	972	1,215
Land	5,000	-	5,000	5,000
	<u>\$ 2,734,618</u>	<u>\$ 1,284,229</u>	<u>\$ 1,450,389</u>	<u>\$ 1,531,030</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:

	2017	2016
Theatre Rental - LSPU Hall	\$ 9,896	\$ 12,739
Salary Contribution	7,000	7,000
Office Rental	8,600	8,600
	<u>\$ 25,496</u>	<u>\$ 28,339</u>



**RCA Hall Operations**  
**Notes to Financial Statements**  
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**4. RELATED PARTY TRANSACTIONS (Continued)**

As at August 31, 2017 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$16,113 (2016 – \$16,548).

**5. GRANTS AND SPONSORSHIPS**

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

	<b>2017</b>	<b>2016</b>
Cultural Economic Development Program	\$ 100,000	\$ 100,000
City of St. John's	50,000	50,000
Department of Canadian Heritage	28,146	25,000
Government of Newfoundland and Labrador	5,279	8,673
Other Provincial Grants	2,542	-
Exxon Mobil	2,500	5,000
Cox & Palmer	2,500	2,500
Redpoll Foundation	2,500	2,500
Public Service Credit Union	1,250	1,250
AW Harvey	-	5,000
	<b>\$ 194,717</b>	<b>\$ 199,923</b>

**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:

**RCA Hall Operations**  
**Notes to Financial Statements**  
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**6. CAPITAL PROJECT FUNDING (Continued)**

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
	<b>\$ 2,210,652</b>

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.

	<b>2017</b>	<b>2016</b>
Balance, beginning of year	<b>\$ 1,487,363</b>	\$ 1,568,859
Less amortization of deferred contributions	<b>(83,808)</b>	(81,496)
<b>Balance, end of year</b>	<b>\$ 1,403,555</b>	\$ 1,487,363

**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 \$1,856 (2016 – \$1,650) and from Cox & Palmer in the amount of \$5,000 (2016 – \$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.

**RCA Hall Operations**  
**Notes to Financial Statements**  
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**(Unaudited)**

**9. SUBSEQUENT EVENT**

The Resource Centre for the Arts has received endowment funds of \$49,999 from the Smiling Land Endowment Fund. These funds have formed an endowment fund within the Community Foundation of Newfoundland and Labrador. The funds were received and deposited with the Community Foundation of Newfoundland after the year end.

An application has been made to Canadian Heritage to match these endowment funds. The net income from the endowment shall be used annually to support the Resource Centre for the Arts.