

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

**UNAUDITED FINANCIAL STATEMENTS
For The Year Ended August 31, 2018**

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, 2018 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 10, 2018



JOHN F. MORGAN
Chartered Professional Accountants

RCA Hall Operations
Balance Sheet
As at August 31, 2018
(Unaudited)

	2018	2017
<u>ASSETS</u>		
CURRENT		
Cash	\$ 127,073	\$ 92,873
Cash - Capital	25,283	888
Prepaid expenses	2,673	2,673
Accounts receivable	17,664	8,098
Inventory	1,857	1,858
HST recoverable	7,351	2,418
	181,901	108,808
Investment Restricted Assets (Note 9)	82,978	-
Capital assets (Note 2)	1,567,768	1,452,702
	\$1,832,647	\$1,561,510
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 66,437	\$ 31,899
Due to Theatre Fund (Note 4)	14,396	16,112
Deferred revenue (Note 3)	116,882	92,182
	197,715	140,193
Deferred contribution - Capital Construction Project (Note 6)	1,535,934	1,412,735
	1,733,649	1,552,928
<u>SHAREHOLDER'S EQUITY</u>		
Contributed Restricted Assets (Note 9)	82,978	-
Net assets	16,020	8,582
Total Equity	98,997	8,582
	\$1,832,647	\$1,561,510

On Behalf of the Board:

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, 2018
(Unaudited)

	2018	2017
REVENUE		
Grants and Sponsorships (Note 5)	\$263,052	\$194,717
Deferred Contributions - Capital Project (Note 6)	92,491	74,628
Rental Revenue	114,168	89,977
Bar Revenue	41,982	33,908
Programming Revenue	15,431	37,082
Ticket Surcharge	34,268	18,862
Fundraising, Donations and Memberships	12,033	10,477
Building Repair Fund	19,504	16,537
Theatre Contribution (Note 4)	8,600	8,600
In-Kind Contributions (Note 8)	5,823	6,856
Other revenue	26	3,219
	607,378	494,863
EXPENSES		
Salaries, benefits, and independent contractors	272,487	234,928
Amortization	92,491	78,328
Advertising and promotion	51,380	6,350
Repairs and maintenance	27,728	28,770
Utilities and telephone	23,983	20,387
Non-Recoverable HST	23,827	6,063
Programming expenses	23,395	43,702
Professional fees	22,088	22,690
Bar Operating	22,104	20,980
Insurance	14,879	15,268
Capital maintenance	10,964	17,738
Service charges and interest	6,947	1,811
Office supplies and postage	3,698	3,544
Fundraising	1,538	3,975
Equipment	1,402	505
Municipal Taxes	642	652
Miscellaneous	387	473
	599,940	506,164
Excess of revenues over expenses	7,438	(11,301)
Net assets, beginning of year	8,582	19,883
Net assets, end of year	\$ 16,020	\$ 8,582

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, 2018
(Unaudited)

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 7,438	\$ (11,301)
Amortization of capital assets	92,491	78,328
Amortization of deferred contributions	(92,491)	(74,628)
Changes in non-cash working capital	44,740	11,494
	<u>52,178</u>	<u>3,893</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(207,556)	-
Additions to Deferred Contributions - Capital Project	215,690	-
	<u>8,134</u>	<u>-</u>
FINANCING ACTIVITIES		
Advances from (to) Theatre Fund	(1,717)	(436)
Net increase (decrease) in cash	<u>58,595</u>	<u>3,457</u>
Cash, beginning of year	93,761	90,304
Cash, end of year	<u>\$ 152,356</u>	<u>\$ 93,761</u>
Cash, end of year consists of:		
Cash	\$ 127,073	\$ 92,873
Cash - Capital	25,283	888
	<u>\$ 152,356</u>	<u>\$ 93,761</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, 2018
(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 Resource Centre for the Arts (RCA) aims to provide accessible, supportive, and well-resourced programs and venues, with a primary focus on the creation, development, and advancement of the performing arts in Newfoundland and Labrador.

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, 2018
(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:

Financial instrument	Subsequent measurement
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, 2018
(Unaudited)

2. CAPITAL ASSETS

	Cost	Accumulated Depreciation	2018 Net Book Value	2017 Net Book Value
Building	\$ 2,036,166	\$ 941,992	\$ 1,094,174	\$ 1,139,765
Equipment	547,205	297,027	250,178	79,041
Building - soft costs	297,061	87,050	210,011	218,761
Seating	48,350	41,050	7,300	9,126
Computer	4,205	3,878	327	37
Software	4,188	3,411	777	972
Land	5,000	-	5,000	5,000
	\$ 2,942,175	\$ 1,374,408	\$ 1,567,767	\$ 1,452,702

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:

	2018	2017
Theatre Rental - LSPU Hall	\$ 11,006	\$ 9,896
Salary Contribution	7,000	7,000
Office Rental	8,600	8,600
	\$ 26,606	\$ 25,496

As at August 31, 2018 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$14,396 (2017 - \$16,113).

RCA Hall Operations
Notes to Financial Statements
For the year ended August 31, 2018
(Unaudited)

5. GRANTS AND SPONSORSHIPS

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

	2018	2017
Cultural Economic Development Program	\$ 140,416	\$ 100,000
City of St. John's	50,000	50,000
ACOA	30,668	-
Department of Canadian Heritage	17,944	28,146
TCII	11,525	-
Exxon Mobil	2,500	2,500
Redpoll Foundation	2,500	2,500
Cox & Palmer	2,500	2,500
Government of Newfoundland and Labrador	2,499	5,279
Public Service Credit Union	1,250	1,250
3 Points Aviation	1,250	-
Other Provincial Grants	-	2,542
	\$ 263,052	\$ 194,717

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
	\$ 2,210,652

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.

	2018	2017
Balance, beginning of year	\$ 1,412,735	\$ 1,487,363
Additions	215,690	-
Less amortization of deferred contributions	(92,491)	(74,628)
Balance, end of year	\$ 1,535,934	\$ 1,412,735

RCA Hall Operations
Notes to Financial Statements
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(Unaudited)

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 \$823.29 (2017 – \$1,856) and from Cox & Palmer in the amount of \$5,000 (2017 – \$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.

9. RESTRICTED ASSETS

The Resource Centre for the Arts received endowment funding from private sources of \$50,000 which was matched by the Government of Canada with \$32,978 to be invested in an endowment for the benefit of the Resource Centre for the Arts. These funds have been invested in The Community Foundation of Newfoundland and Labrador under an agreement whereby the Resource Centre for the Arts can have access only to the accumulated income generated by the endowment. The Grant Agreement from the Government of Canada requires the grant and the equivalent sum must be capitalized in perpetuity. No income was realized from the endowment in the year ended August 31, 2018.