

Financial Statements of

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

Year ended August 31, 2022

JORDAN CULL

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors:

I have reviewed the accompanying financial statements of Resource Centre for the Arts - Hall Operations Fund that comprise the balance sheet as at August 31, 2022, and the statements of operations, net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioner's Responsibility

My responsibility is to express a conclusion on the accompanying financial statements based on the review. I conducted the review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Resource Centre for the Arts - Hall Operations Fund as at August 31, 2022 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.



Chartered Professional Accountant

St. John's, Newfoundland
December 19, 2022

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

BALANCE SHEET
As at August 31, 2022
(Unaudited)

ASSETS

	2022	2021
CURRENT		
Cash	\$ 145,780	\$ 143,676
Cash - capital	9,513	61,075
Accounts receivable (Note 2)	9,079	34,642
Inventory	1,168	1,120
Prepaid expenses	8,632	3,314
HST recoverable	17,504	30,850
	191,676	274,677
INVESTMENT IN RESTRICTED ASSETS (Note 3)	98,503	92,323
PROPERTY, PLANT, AND EQUIPMENT (Note 4)	1,357,955	1,410,340
	\$ 1,648,134	\$ 1,777,340

LIABILITIES AND NET ASSETS

CURRENT		
Accounts payable and accrued liabilities	\$ 16,926	\$ 25,653
Employee deductions payable	8,873	5,209
Due to Theatre Fund (Note 5)	44,779	27,020
Deferred revenue (Note 6)	155,565	118,392
	226,143	176,274
Canada emergency business account loan (Note 7)	20,000	40,000
Deferred contribution - Capital Construction Project (Note 8)	1,325,391	1,373,317
	1,571,534	1,589,591
CONTRIBUTED RESTRICTED ASSETS (Note 3)	83,478	83,478
NET ASSETS	(6,878)	104,271
	76,600	187,749
	\$ 1,648,134	\$ 1,777,340

On Behalf of the Board:

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See Accompanying Notes to Unaudited Financial Statements

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

STATEMENT OF OPERATIONS AND NET ASSETS

For the Year Ended August 31, 2022

(Unaudited)

	2022	2021
REVENUES		
Grants and sponsorships (Note 9)	\$ 281,973	\$ 423,870
Deferred contributions - capital project (Note 8)	92,929	89,874
Rental revenue	81,782	37,720
Fundraising, donations, and memberships	18,349	13,010
Bar revenue	13,705	2,585
Ticket surcharge	12,785	2,553
Theatre contribution (Note 5)	10,482	7,468
Other income	7,354	2,066
Building repair fund	6,380	968
In-kind contributions (Note 10)	5,982	5,000
Programming revenue	2,608	1,663
	534,329	586,777
 EXPENSES		
Salaries and benefits	340,806	295,828
Amortization	97,388	93,299
Repairs and maintenance	31,232	21,751
Professional fees	30,329	26,202
Programming expenses	29,052	18,912
Utilities and telephone	26,236	25,472
Capital maintenance	21,301	28,719
Insurance	15,961	13,437
Non-recoverable HST	11,148	8,601
Bar operating	10,962	3,151
Advertising and promotion	10,513	8,538
Office supplies and postage	8,443	5,278
Service charges and interest	6,002	6,496
Fundraising	2,088	3,241
General and administrative expenses	2,059	5,444
Equipment	1,252	3,615
Municipal taxes	706	621
	645,478	568,605
 DEFICIENCY OF REVENUES OVER EXPENSES	(111,149)	18,172
 NET ASSETS, BEGINNING OF YEAR	104,271	86,099
 NET ASSETS, END OF YEAR	\$ (6,878)	\$ 104,271

See Accompanying Notes to Unaudited Financial Statements

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

STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2022
(Unaudited)

	2022	2021
OPERATING		
Deficiency of revenues over expenses	\$ (111,149)	\$ 18,172
Items not requiring an outlay of cash:		
Amortization of capital assets	97,388	93,299
Amortization of deferred contributions	(92,929)	(89,874)
Net change in non-cash working capital items	65,653	(18,062)
	(41,037)	3,535
INVESTING		
Purchase of property, plant, and equipment	(45,003)	(115,863)
Additions to deferred contribution	45,003	98,663
Increase in investment in restricted assets	(6,180)	(2,066)
	(6,180)	(19,266)
FINANCING		
Advances from Theatre Fund	17,759	1,214
Increase (decrease) in long-term debt	(20,000)	40,000
	(2,241)	41,214
Increase (decrease) in cash and cash equivalents	(49,458)	25,483
CASH BALANCE, BEGINNING OF YEAR	204,751	179,268
CASH BALANCE, END OF YEAR	\$ 155,293	\$ 204,751
Cash, end of year consists of:		
Cash	145,780	143,676
Cash - capital	9,513	61,075
	\$ 155,293	\$ 204,751

See Accompanying Notes to Unaudited Financial Statements

RESOURCE CENTRE FOR THE ARTS – HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

(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 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:

Cash:

Cash includes cash held on deposit with Canadian chartered financial institutions.

Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Capital Assets and Amortization:

Capital assets are recorded at cost and amortized on a declining balance basis which will reduce the original cost to the estimated residual value over the useful life of the assets. The organization uses the following rates 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

For the Year Ended August 31, 2022

(Unaudited)

1. Summary of Significant Accounting Policies (Continued):

Financial Instruments:

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The carrying value of financial assets does not materially differ from the basis of measurement.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes, in net earnings, an impairment loss when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

2. Accounts Receivable:

Accounts receivable for the year consist of the following:

	<u>2022</u>	<u>2021</u>
Federal Wage Subsidy	\$ 978	\$ 22,973
Sponsorships receivable	7,500	5,000
Provincial Wage Subsidy	-	3,568
Other receivables	<u>601</u>	<u>3,101</u>
	<u>\$ 9,079</u>	<u>\$ 34,642</u>

3. 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 Organization. These funds have been invested in The Community Foundation of Newfoundland and Labrador under an agreement whereby the Organization 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. During the year, \$6,180 (2021 - \$2,066) of income was recognized from the endowment. These funds were left in the endowment.

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

(Unaudited)

4. Property, Plant, and Equipment:

	<u>2022</u>			<u>2021</u>
	Cost	Accumulated Amortization	Net	Net
Building	\$ 2,068,786	\$ 1,108,734	\$ 960,052	\$ 983,347
Equipment	654,632	472,501	182,131	211,094
Building – soft costs	297,061	118,689	178,372	185,804
Seating	48,350	45,360	2,990	3,737
Computer	7,854	4,674	3,180	112
Software	37,612	11,382	26,230	21,246
Land	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u>\$ 3,119,295</u>	<u>\$ 1,761,340</u>	<u>\$ 1,357,955</u>	<u>\$ 1,410,340</u>

5. 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>2022</u>	<u>2021</u>
Theatre rental – LSPU Hall	\$ 22,330	\$ 5,648
Shared expense contribution	10,482	7,468
Salary contribution	<u>9,125</u>	<u>7,000</u>
	<u>\$ 41,937</u>	<u>\$ 20,116</u>

As at August 31, 2022 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$44,779 (2021 – \$27,020).

6. 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.

7. Canada Emergency Business Account Loan:

Long-term debt consists of a Bank of Montreal loan which is the repayable portion of the Canada Emergency Business Account. The loan is non-interest bearing until December 31, 2023 at which time the outstanding balance is converted to a term loan, bearing interest at 5% per annum. Interest payments are due monthly with the principal required to be fully repaid by December 31, 2025.

The total amount of the loan which was received by the Organization was \$60,000. If \$40,000 is repaid on or before December 31, 2023, the remaining balance of \$20,000 will be forgiven. The Organization intends to repay the remaining \$20,000 before December 31, 2023, as they have already repaid a \$20,000 of the loan, therefore the \$20,000 forgivable portion of the loan has been recorded as grants and sponsorships in the previous year.

RESOURCE CENTRE FOR THE ARTS – HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

(Unaudited)

8. 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	<u>27,600</u>
	<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>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,373,317	\$ 1,364,528
Additions	45,003	98,663
Less: amortization of deferred contributions	<u>(92,929)</u>	<u>(89,874)</u>
Balance, end of year	<u>\$ 1,325,391</u>	<u>\$ 1,373,317</u>

9. Grants and Sponsorships:

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

	<u>2022</u>	<u>2021</u>
Cultural Economic Development Program	\$ 125,000	\$ 125,000
Department of Canadian Heritage	67,500	22,000
City of St. John's	52,000	52,000
Government of Newfoundland and Labrador	19,065	14,993
Federal Wage Subsidy	4,131	175,001
Cox and Palmer	2,500	2,500
Redpoll Foundation	2,500	2,500
CAA	2,500	-
Exxon Mobil	2,498	2,546
ACOA	2,171	2,407
Public Service Credit Union	1,250	1,250
Federal Rent Subsidy	858	3,673
Canada Emergency Business Account	<u>-</u>	<u>20,000</u>
	<u>\$ 281,973</u>	<u>\$ 423,870</u>

The Organization recognizes revenue related to the government assistance wage subsidy when expenses being covered by the subsidy are incurred. During the year, the Organization received \$4,131 (2021 - \$175,001) in wage subsidies which were recorded as grant and sponsorship income.

RESOURCE CENTRE FOR THE ARTS – HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

(Unaudited)

10. In-Kind Contributions:

In-kind contributions were received from Quidi Vidi Brewing Company Ltd. in the amount of \$982 (2021 - \$nil) and from Cox & Palmer in the amount of \$5,000 (2021 – \$5,000). The amount from Quidi Vidi Brewing Company Ltd. was recorded as in-kind revenue and bar operating expenses. The amount from Cox & Palmer was recorded as in-kind revenue and legal expenses.

There were also contributed services in the form of volunteer time spent by individuals in operational activities. Due to the difficulty in determining the fair value, these contributed services are not recognized in these statements.

11. Covid-19 Pandemic:

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Newfoundland and Labrador on March 18, 2020. The full duration and impact of COVID-19 is unknown at this time. During the current fiscal year, the Organization received a subsidy to offset wage expense and rent expense as disclosed in Note 9 above. It is not possible to reliably estimate the impact that the length and severity of COVID-19 will have on the financial results and condition of the Organization in future fiscal years.