

Financial Statements of

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

Year ended August 31, 2021

Jordan Cull, Chartered Professional Accountant

JORDAN CULL

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members:

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, 2021, 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, 2021 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.

St. John's, Newfoundland
January 20, 2022



Chartered Professional Accountant

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

BALANCE SHEET
As at August 31, 2021
(Unaudited)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
CURRENT		
Cash	\$ 143,676	\$ 174,392
Cash - capital	61,075	4,876
Accounts receivable (Note 2)	34,642	43,677
Inventory	1,120	1,932
Prepaid expenses	3,314	864
HST recoverable	30,850	1,812
	<u>274,677</u>	<u>227,553</u>
INVESTMENT IN RESTRICTED ASSETS (Note 3)	92,323	90,257
PROPERTY, PLANT, AND EQUIPMENT (Note 4)	<u>1,410,340</u>	<u>1,387,776</u>
	<u>\$ 1,777,340</u>	<u>\$ 1,705,586</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT		
Accounts payable and accrued liabilities	\$ 25,653	\$ 24,324
Employee deductions payable	5,209	4,812
Due to Theatre Fund (Note 5)	27,020	25,806
Deferred revenue (Note 6)	118,392	116,539
	<u>176,274</u>	<u>171,481</u>
Canada emergency business account loan (Note 7)	40,000	-
Deferred contribution - Capital Construction Project (Note 8)	<u>1,373,317</u>	<u>1,364,528</u>
	<u>1,589,591</u>	<u>1,536,009</u>
CONTRIBUTED RESTRICTED ASSETS (Note 3)	83,478	83,478
NET ASSETS	<u>104,271</u>	<u>86,099</u>
	<u>187,749</u>	<u>169,577</u>
	<u>\$ 1,777,340</u>	<u>\$ 1,705,586</u>

On Behalf of the Board:

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

STATEMENT OF OPERATIONS AND NET ASSETS

For the Year Ended August 31, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>
REVENUES		
Grants and sponsorships (Note 9)	\$ 423,870	\$ 291,017
Deferred contributions - capital project (Note 8)	89,874	89,531
Rental revenue	37,720	62,433
Fundraising, donations, and memberships	13,010	14,849
Theatre contribution (Note 5)	7,468	8,600
In-kind contributions (Note 10)	5,000	8,599
Other revenue	2,066	5,049
Bar revenue	2,585	30,051
Ticket surcharge	2,553	16,823
Programming revenue	1,663	7,497
Building repair fund	968	8,540
	<u>586,777</u>	<u>542,989</u>
EXPENSES		
Salaries, benefits, and independent contractors	295,828	245,809
Amortization	93,299	91,662
Capital maintenance	28,719	22,917
Professional fees	26,202	23,800
Utilities and telephone	25,472	21,722
Repairs and maintenance	21,751	18,461
Programming expenses	18,912	31,107
Insurance	13,437	13,409
Non-recoverable HST	8,601	6,722
Advertising and promotion	8,538	3,981
Service charges and interest	6,496	6,968
General and administrative expenses	5,444	232
Office supplies and postage	5,278	4,041
Equipment	3,615	1,987
Fundraising	3,241	4,298
Bar operating	3,151	17,996
Municipal taxes	621	832
	<u>568,605</u>	<u>515,944</u>
EXCESS OF REVENUES OVER EXPENSES	18,172	27,045
NET ASSETS, BEGINNING OF YEAR	86,099	59,054
NET ASSETS, END OF YEAR	<u>\$ 104,271</u>	<u>\$ 86,099</u>

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, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>
OPERATING		
Excess of revenues over expenses	\$ 18,172	\$ 27,045
Items not requiring an outlay of cash:		
Amortization of capital assets	93,299	91,662
Amortization of deferred contributions	(89,874)	(89,531)
Net change in non-cash working capital items	(18,062)	(24,415)
	<u>3,535</u>	<u>4,761</u>
INVESTING		
Purchase of property, plant, and equipment	(115,863)	(16,253)
Additions to deferred contributions	98,663	16,253
Increase in contributed restricted assets	(2,066)	(4,549)
	<u>(19,266)</u>	<u>(4,549)</u>
FINANCING		
Advances from Theatre Fund	1,214	9,522
Increase in long-term debt	40,000	-
	<u>41,214</u>	<u>9,522</u>
Increase in cash and cash equivalents	25,483	9,734
CASH BALANCE, BEGINNING OF YEAR	179,268	169,534
CASH BALANCE, END OF YEAR	<u>\$ 204,751</u>	<u>\$ 179,268</u>
Cash, end of year consists of:		
Cash	143,676	174,392
Cash - capital	61,075	4,876
	<u>\$ 204,751</u>	<u>\$ 179,268</u>

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, 2021
(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, 2021
(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>2021</u>	<u>2020</u>
Federal Wage Subsidy	\$ 22,973	34,384
Sponsorships receivable	5,000	5,000
Provincial Wage Subsidy	3,568	-
Other receivables	<u>3,101</u>	<u>4,293</u>
	<u>\$ 34,642</u>	<u>\$ 43,677</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, \$2,066 (2020 - \$4,549) 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, 2021

(Unaudited)

4. Property, Plant, and Equipment:

	<u>2021</u>			<u>2020</u>
	Cost	Accumulated Amortization	Net	Net
Building	\$ 2,052,419	\$ 1,069,072	\$ 983,347	\$ 1,024,319
Equipment	639,904	428,810	211,094	159,581
Building – soft costs	297,061	111,257	185,804	193,546
Seating	48,350	44,613	3,737	4,672
Computer	4,205	4,093	112	160
Software	27,352	6,106	21,246	498
Land	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u>\$ 3,074,291</u>	<u>\$ 1,663,951</u>	<u>\$ 1,410,340</u>	<u>\$ 1,387,776</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>2021</u>	<u>2020</u>
Theatre rental – LSPU Hall	\$ 5,648	\$ 7,276
Office rental	7,468	8,600
Salary contribution	<u>7,000</u>	<u>7,000</u>
	<u>\$ 20,116</u>	<u>\$ 22,876</u>

As at August 31, 2021 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$27,020 (2020 – \$25,806).

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, 2022 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, 2022, the remaining balance of \$20,000 will be forgiven. The Organization intends to repay the \$40,000 before December 31, 2022, therefore the \$20,000 forgivable portion of the loan has been recorded as grants and sponsorships in the current year.

RESOURCE CENTRE FOR THE ARTS – HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2021

(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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,364,528	\$ 1,437,806
Additions	98,663	16,253
Less: amortization of deferred contributions	<u>(89,874)</u>	<u>(89,531)</u>
Balance, end of year	<u>\$ 1,373,317</u>	<u>\$ 1,364,528</u>

9. Grants and Sponsorships:

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

	<u>2021</u>	<u>2020</u>
Federal Wage Subsidy	\$ 175,001	\$ 67,367
Cultural Economic Development Program	125,000	125,000
City of St. John's	52,000	52,000
Department of Canadian Heritage	22,000	33,000
Canada Emergency Business Account	20,000	-
Government of Newfoundland and Labrador	14,993	-
Federal Rent Subsidy	3,673	-
Exxon Mobil	2,546	4,900
Cox and Palmer	2,500	2,500
Redpoll Foundation	2,500	2,500
ACOA	2,407	-
Public Service Credit Union	1,250	1,250
CAA	<u>-</u>	<u>2,500</u>
	<u>\$ 423,870</u>	<u>\$ 291,017</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 \$175,001 (2020 - \$67,367) 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, 2021
(Unaudited)

10. In-Kind Contributions:

In-kind contributions were received from Quidi Vidi Brewing Company Ltd. in the amount of \$nil (2020 - \$3,599) and from Cox & Palmer in the amount of \$5,000 (2020 – \$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.

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 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.