

Report is not dated

**ARTS NETWORK OTTAWA
RÉSEAU DES ARTS D'OTTAWA**

**FINANCIAL STATEMENTS
Draft**

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Draft

To: The Members of Arts Network Ottawa/Réseau des arts d'Ottawa

Qualified Opinion

We have audited the financial statements of **Arts Network Ottawa/Réseau des arts d'Ottawa**, which comprise the statement of financial position as at **December 31, 2023**, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess/deficiency of revenues over expenditures, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

Note 2(e) describes the accounting policy with respect to the Organization's capital assets. The note indicates that the Organization expenses capital asset purchases in the year of acquisition. This practice is not in accordance with ASNPO. The effect of this departure from ASNPO has not been quantified.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION

AUTHORIZED TO PRACTISE PUBLIC ACCOUNTING BY THE CHARTERED PROFESSIONAL

INDEPENDENT AUDITOR'S REPORT, continued

ACCOUNTANTS OF ONTARIO

Draft

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

Draft

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT		
Cash	\$ 106,225	\$ 40,403
Cash ARTicipate Endowment Fund	241,736	235,018
Accounts receivable	11,308	11,002
Prepaid expenses	3,791	10,000
HST receivable	8,281	9,735
	<u>\$ 371,341</u>	<u>\$ 306,158</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 64,765	\$ 59,377
Deferred revenue - Note 3	72,590	21,191
ARTicipate Endowment Fund liability - Note 6	178,876	179,426
	<u>316,231</u>	<u>259,994</u>
REPLACEMENT RESERVE FUND - Note 7	3,000	3,000
NET ASSETS	<u>52,110</u>	<u>43,164</u>
	<u>55,110</u>	<u>46,164</u>
	<u>\$ 371,341</u>	<u>\$ 306,158</u>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the board

Board President _____

Treasurer _____

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA**STATEMENT OF OPERATIONS**

Year ended December 31, 2023

Draft

	<u>2023</u>	<u>2022</u>
REVENUES		
Earned revenue, Schedule 1	\$ 11,604	\$ 11,361
Private contributed revenue, Schedule 2	16,733	16,214
Grants revenue, Schedule 3	414,367	468,166
ARTicipate endowment fund stewardship	14,455	64,448
ARTicipate project grant	7,228	-
	<u>464,387</u>	<u>560,189</u>
EXPENDITURES		
Programs, projects and services		
Arts promotion	5,872	7,978
Programs	39,219	67,719
	<u>45,091</u>	<u>75,697</u>
Total programs, projects and services		
	<u>45,091</u>	<u>75,697</u>
Salaries and contract fees		
Salaries and related benefits	303,758	444,457
	<u>303,758</u>	<u>444,457</u>
Administration		
Computer and office equipment	4,070	814
Conference and meetings	571	20,903
Office and general	23,074	39,045
Professional fees	76,953	43,722
	<u>104,668</u>	<u>104,484</u>
Total administration		
	<u>104,668</u>	<u>104,484</u>
Fundraising		
ARTicipate stewardship	1,924	6,747
	<u>1,924</u>	<u>6,747</u>
	<u>455,441</u>	<u>631,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 8,946</u>	<u>\$ (71,196)</u>

The accompanying notes are an integral part of these financial statements

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023
Draft

	<u>2023</u>	<u>2022</u>
NET ASSETS, BEGINNING OF YEAR	\$ 43,164	\$ 114,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,946</u>	<u>(71,196)</u>
NET ASSETS, END OF YEAR	<u>\$ 52,110</u>	<u>\$ 43,164</u>

The accompanying notes are an integral part of these financial statements

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ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
STATEMENT OF CASH FLOWS
Year ended December 31, 2023
Draft

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 8,946	\$ (71,196)
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(306)	13,381
Decrease (increase) in prepaid expenses	6,209	(9,200)
(Increase) decrease in HST receivable	1,454	(1,161)
Increase in accounts payable and accrued liabilities	5,388	31,601
Increase (decrease) in deferred revenue	51,399	(104,397)
(Decrease) increase in ARTicipate Endowment Fund liability	(550)	338
Decrease (increase) in Cash ARTicipate Endowment Fund	<u>(6,718)</u>	<u>1,717</u>
INCREASE (DECREASE) IN CASH	65,822	(138,917)
CASH, BEGINNING OF YEAR	<u>40,403</u>	<u>179,320</u>
CASH, END OF YEAR	<u>\$ 106,225</u>	<u>\$ 40,403</u>

The accompanying notes are an integral part of these financial statements

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ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2023

Draft

1. NATURE OF OPERATIONS

Arts Network Ottawa/Réseau des arts d'Ottawa (the "Organization") was incorporated on November 12, 1987 as a not-for-profit corporation. The Organization was formed to promote the arts in the City of Ottawa and to provide community services for the benefits of its members.

The Organization is recognized as a charity under the Canadian Income Tax Act and is exempt from income taxes under section 149(1)(f).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are detailed as follows:

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ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
Draft

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(i) Donations

Donation revenue is recognized in the year in which it is received.

(ii) Event revenue

Event revenue is recognized in the year in which it is earned.

(iii) Membership fees

Membership fees are recognized in the year in which they are invoiced.

(iv) Gifts in kind

Donated goods and services received by the Organization are recorded at their estimated fair market value when received.

(v) Program revenue

Program revenue is recognized in the period to which it relates.

(vi) Grant revenue

Grant revenue is recognized in the year to which the funding relates and once grant requirements are met.

(vii) Sponsorship revenue

Sponsorship revenue is recorded in the year in which it is earned.

(viii) Fundraising revenue

Fundraising revenue is recognized in the year in which it is received.

(ix) Interest income

Interest income is recognized on an accrual basis.

(x) ARTicipate endowment fund stewardship

ARTicipate endowment fund stewardship income is recognized in the year in which it is earned.

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
Draft

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(b) **Donated material and services**

Donated materials are recorded in the financial statements at their estimated fair value on the date of the donation. Donated goods and services are recorded as revenue and offset by equal expense entries at actual or estimated values determined by reference to normal commercial transactions.

The Organization benefits from the services of volunteers, the fair value of which cannot be reasonably estimated. Therefore, the value of these services are not recognized in these financial statements.

No remuneration was paid to directors during the year for carrying out their duties.

(c) **Cash**

Cash consists of balances with financial institutions and cash on hand.

(d) **Cash ARTicipate Endowment Fund**

The Organization is leading a fundraising campaign to grow the ARTicipate Endowment Fund - Shenkman Arts Centre. All funds raised are deposited into a bank account held by the Organization and subsequently transferred into the Shenkman Arts Centre Endowment Fund Reserve, created by the City of Ottawa for that exclusive purpose.

(e) **Property, plant and equipment**

The Organization expenses its capital assets in the year of purchase.

(f) **Deferred revenue**

Deferred revenue consists of grants received relating to periods subsequent to the year-end date or for programming that has not yet occurred.

(g) **ARTicipate Endowment Fund liability**

The ARTicipate Endowment Fund liability represents funds being held by the Organization at the year-end which are owned by the ARTicipate Endowment Fund.

(h) **Accounting estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. The Organization's significant estimates include deferred revenue. Actual results could differ from these estimates.

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
Draft

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(i) **Financial instrument classification**

Measurement

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the period incurred. Transaction costs related to financial instruments subsequently measured at cost or amortized cost are included in the original cost of the financial asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. If the indicators of impairment have subsequently decreased or no longer exist, the previously recognized impairment loss shall be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3. **DEFERRED REVENUE**

	Balance, beginning of year	Received	Recognized	Balance, end of year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Canada Council	\$ 20,000	\$ -	\$ (20,000)	\$ -
Ottawa Community Foundation	-	10,000	(2,410)	7,590
Third Way Creative	-	75,000	(10,000)	65,000
Other	1,191	-	(1,191)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 21,191</u>	<u>\$ 85,000</u>	<u>\$ (33,601)</u>	<u>\$ 72,590</u>

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
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4. ONTARIO ARTS FOUNDATION ENDOWMENT

Included in earned revenues is interest income of \$2,728 (2022 - \$2,899) from an endowment created under the Arts Endowment Fund Program.

In the year 2000, the Ontario Arts Foundation (the "Foundation") matched funds raised by the Organization and have since held these funds in an endowment for the benefit of the Organization. In accordance with the agreement, the endowment is held in perpetuity by the Foundation.

The Foundation receives an annual administration fee and disburses other profits annually to the Organization.

5. DUE TO ARTICIPATE ENDOWMENT FUND - SHENKMAN ARTS CENTRE

The ARTicipate Endowment Fund was established in 2007 through two major gifts. The City of Ottawa Treasury Unit manages this fund in accordance with the City of Ottawa Investment Policy and the Municipal Act. The interest income generated by this fund is disbursed by the Organization to support the artistic programming and Arts Partners within the Shenkman Centre.

	2023	2022
Opening balance payable	\$ 7,154	\$ 9,753
Contributions paid out	(7,154)	(9,753)
	\$ -	\$ -

6. ARTICIPATE ENDOWMENT FUND LIABILITY

The Organization receives interest from the ARTicipate Endowment Fund on a yearly basis, being entitled to 25% (2022 - 25%) of the interest earned by the Endowment Fund for stewardship services. The remaining interest earned must be granted to various recipients.

	2023	2022
Opening balance	\$ 179,426	\$ 179,088
Endowment withdrawal	72,276	72,240
Stewardship proceeds	(14,455)	(14,448)
Distribution to Resident Arts partners	(36,138)	(28,896)
Distribution for project grants	(22,233)	(28,558)
	\$ 178,876	\$ 179,426

7. REPLACEMENT RESERVE FUND

The replacement reserve fund was established to fund the replacement of the Organization's major assets.

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
Draft

8. ECONOMIC DEPENDENCE

The Organization receives significant funding from various government departments and agencies. Accordingly, the Organization is economically dependent on continuing grant revenues to fund future operations and programs.

9. FINANCIAL INSTRUMENTS

The Organization does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There is no significant change in the risk profile for the financial instruments of the Organization compared to the prior year.

The Organization's main financial risk exposures and its financial risk management policies are as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate fluctuations impacting the rate of return on the ARTicipate Endowment Fund which earns interest at variable rates.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligations. The Organization is exposed to credit risk associated with its holdings of cash and an endowment fund with a financial institution and its accounts receivable. To mitigate this risk, the Organization places its cash and endowment fund with Canadian chartered banks and as a result, management considers the credit risk to be low. Management monitors the accounts receivable position and believes that all accounts receivable at the year-end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

(c) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations when they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. The Organization establishes budgets and cash estimates to ensure it has the necessary funds to fulfill its obligations.

10. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2023

Draft

11. SUBSEQUENT EVENTS

In October 2023, an announcement was made regarding the merger of Arts Network Ottawa and the Ottawa Arts Council to create a new unified organization. The board of directors of both entities will meet in June 2024 to present the future plans. The new arts service organization is planned to start in 2025.

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ARTS NETWORK OTTAWA/RÉSEAU DES ARTS D'OTTAWA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023
Draft

SCHEDULE OF EARNED REVENUE

Schedule 1

	<u>2023</u>	<u>2022</u>
Artpreneur Conference	\$ -	\$ 142
Interest	3,694	3,104
Membership fees	5,152	5,185
Miscellaneous	<u>2,758</u>	<u>2,930</u>
 Total	 <u>\$ 11,604</u>	 <u>\$ 11,361</u>

SCHEDULE OF PRIVATE CONTRIBUTED REVENUE

Schedule 2

	<u>2023</u>	<u>2022</u>
Donations	\$ 1,733	\$ 16,214
Project Grant	<u>15,000</u>	<u>-</u>
 Total	 <u>\$ 16,733</u>	 <u>\$ 16,214</u>

SCHEDULE OF GRANTS REVENUE

Schedule 3

	<u>2023</u>	<u>2022</u>
Canada Council	\$ 20,000	\$ 47,055
Canadian Association for the Performing Arts	12,000	-
City of Ottawa	317,883	325,884
Employment grants	23,643	31,798
Ontario Arts Council	38,430	38,430
Ottawa Community Foundation	<u>2,411</u>	<u>24,999</u>
 Total	 <u>\$ 414,367</u>	 <u>\$ 468,166</u>

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