

Financial Statements

**Ontario Association of
Art Galleries**

Toronto, Ontario

March 31, 2015

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Independent Auditors' Report

To the Members of Ontario Association of Art Galleries:

We have audited the accompanying financial statements of Ontario Association of Art Galleries, which comprise the statement of financial position as at March 31, 2015 and the statements of accumulated surplus, operations 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements 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 Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

continued...

Independent Auditors' Report - continued

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we are not able to determine whether any adjustments might be necessary to contributions, surplus, current assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ontario Association of Art Galleries as at March 31, 2015 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.

Toronto, Ontario
September 22, 2015



Chartered Professional Accountants, Licensed Public Accountants

Ontario Association of Art Galleries

March 31, 2015

Statement of Financial Position	2015	2014
Current Assets		
Cash and temporary investments	\$ 1,289	\$ 4,181
Accounts receivable	29,940	14,487
HST	8,123	4,081
Inventory	3,956	5,935
Prepaid expenses	30,539	1,748
Total Current	73,847	30,432
Capital Assets , Note 3	4,240	0
	78,087	30,432
Current Liabilities		
Bank overdraft, Note 5	26,325	13,962
Accounts payable and accrued liabilities	8,254	15,306
Government remittances	2,627	0
Deferred revenue, Note 6	39,190	200
Total Liabilities	76,396	29,468
Net Assets		
Accumulated surplus, per statement	1,691	964
	78,087	30,432

Approved by The Board

Shirley Madill

Director

Carol Podedworny

Director

The notes on pages 9 through 13 form an integral part of these financial statements.

Ontario Association of Art Galleries

Year ended March 31, 2015

Statement of Accumulated Surplus	2015	2014
Balance beginning	\$ 964	\$ (25,623)
Add		
Surplus	727	26,587
<i>Balance March 31</i>	1,691	964

Ontario Association of Art Galleries

Year ended March 31, 2015

Statement of Operations	2015	2014
Revenues		
Grants, Note 4	\$ 193,007	\$ 154,648
Membership fees	51,207	50,864
Professional development	6,040	20,688
Award donations	12,375	8,974
Publication sales	2,111	1,658
Fundraising	1,138	0
General donations	300	1,125
Arts Endowment Fund, Note 7	3,444	3,369
Other	316	859
Total Revenues	269,938	242,185
Expenses		
Salaries and benefits	97,812	79,672
Salaries - projects	19,486	6,329
Meetings and travel	4,417	8,542
Member services	23,300	18,159
Programs	72,217	62,096
Website	2,318	755
Occupancy	13,551	11,928
Moving expenses	2,432	0
Office and general	4,477	3,485
Professional fees	6,281	5,954
Telephone/communication	2,659	3,873
Bookkeeping fees	2,798	1,981
Equipment rental	2,560	2,110
Insurance	2,214	2,286
Bad debts	2,555	15
HST	3,005	2,129
Joint member promotion	1,062	1,644
Bank charges	1,454	1,960
Fundraising	401	629
Publications	2,092	142
Amortization	2,120	1,909
Total Expenses	269,211	215,598
Surplus	727	26,587

Ontario Association of Art Galleries

Year ended March 31, 2015

Statement of Cash Flows	2015	2014
Operating Activities		
Surplus	\$ 727	\$ 26,587
Non-cash items		
Amortization	2,120	1,909
	<u>2,847</u>	<u>28,496</u>
Change in other current assets and liabilities	621	(25,110)
Cash Provided By Operating Activities	<u>3,468</u>	<u>3,386</u>
Investing Activities		
Purchase of capital assets	(6,360)	0
Cash Used In Investing Activities	<u>(6,360)</u>	<u>0</u>
Net cash increase (decrease) during the year	(2,892)	3,386
Cash position beginning of year	4,181	795
Cash Position End Of Year	<u>1,289</u>	<u>4,181</u>

Notes to Financial Statements

Status and Nature of Activities

The Association is incorporated under the Ontario Corporations Act as a corporation without share capital. The Association's mission is to be a leading art service organization, effectively representing Ontario's public art galleries as essential and valued cultural resources.

The Association is registered with Canada Revenue Agency as a charitable organization.

Note 1 Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Capital Assets

Property and equipment with a future benefit and a cost over \$5,000 are recorded at cost. Amortization is recorded at rates designed to amortize the costs of these capital assets over their estimated useful lives. Amortization rates are as follows:

Leasehold improvements straight-line, 3 years

Computer equipment straight-line, 3 years

Revenue Recognition

The Association follows the deferral method of accounting for contributions. Grants, sponsorships and donations for restricted purposes are recognized in the year in which the related expenses are incurred. Revenue from the Endowment Fund (Note 7) is recognized as received. Seminar and workshop fees are recognized as revenue in the period in which the seminar or workshop is held. Membership fees and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated Materials and Services

Any donated goods and services, to the extent that they would normally be purchased if not donated, are recorded at fair value. Much of the work of the Association is dependent on voluntary service. Since these services are not normally purchased by the Association, and because of the difficulty of determining their fair value, such donated services are not recognized in these financial statements.

Note 1 Significant Accounting Policies - continued

Financial Instruments

(a) Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include the bank overdraft and accounts payable.

(b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 income.

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2 Financial Instruments

Risk Management Policy

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2015:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss.

The Association is subject to concentrations of credit risk through its cash accounts. The Association maintains all of its cash at a single Canadian financial institution. The maximum credit risk is equivalent to the carrying value.

For accounts receivable there is no significant concentration of credit risk.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates. These fluctuations may be significant. The methods and assumptions management uses when accessing market risks have not changed substantially from the prior period and are summarized below:

(i) Interest Rate Risk

The Association does not have any interest bearing investments.

The line of credit carries interest at a rate of prime plus 3%.

(ii) Foreign Currency Risk

The Association's functional currency is the Canadian dollar. The Association does not engage in any activities in foreign currency and as a result it is the opinion of management that the Association is not exposed to significant foreign currency risk.

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its short-term obligations. This risk has increased due to the overdraft balance in the bank.

Ontario Association of Art Galleries

March 31, 2015

Note 3 Capital Assets

			2015	2014
	At cost	Accumulated Amortization	Net book value	Net book value
Leasehold improvements \$	6,360	\$ (2,120)	\$ 4,240	\$ 0
Computer equipment	5,727	(5,727)	0	0
	12,087	(7,847)	4,240	0

Note 4 Grants

The Association recognized grants from the following sources:

	2015	2014
Ontario Arts Council	\$ 60,000	\$ 60,000
Department of Canadian Heritage	38,483	29,923
Other Provincial	23,524	0
Toronto Arts Council	24,000	20,000
Toronto Arts Council - Project	0	10,000
Ontario Trillium Foundation	47,000	34,725
	193,007	154,648

Note 5 Bank Line of Credit

The Association has a line of credit available with a limit of \$30,000 that bears interest at the bank prime plus 3%. At year-end the line of credit had a balance outstanding of \$27,125. Any balances are secured against all charity assets. Repayment of interest is due monthly.

Note 6 Deferred Revenue

These are program cost recovery revenues and membership fees received in the current fiscal year relating to the next fiscal year.

	2015	2014
Deferred revenue consists of the following:		
Prepaid revenue related to Venice-Florence Rome exchange and membership fees	\$ 39,190	\$ 200
	39,190	200

Note 7 Endowment Fund

The Association established the Ontario Association of Art Galleries Arts Endowment Fund with the Ontario Arts Council Foundation, under the Arts Endowment Fund (AEF) Program. The AEF is a program of the government of Ontario through the Ministry of Culture, administered by the Ontario Arts Council Foundation. Under the terms of the program, the Association contributed one dollar to establish the fund and retained the money that it raised for endowment purposes, to be used for operations. The amount raised by the Association for endowment purposes was matched from the Arts Endowment Fund and put into the Association's Arts Endowment Fund.

The investment income received during the current year is based on the Association's Arts Endowment Fund balance of \$83,639 as at March 31, 2015. While the Association has no access to the fund's capital, a portion of the interest from the fund (to a maximum of 5%) is paid to the Association annually for use in its ongoing operations.

Note 8 Commitment

The Association is committed for payments plus applicable taxes under a lease agreement for rental office space with 401 Richmond Ltd. as follows:

June 1, 2014 to May 31, 2015	\$	11,750
June 1, 2015 to May 31, 2016		12,103
June 1, 2016 to May 31, 2017		12,466