



Financial Statements

Community Arts & Heritage Education Project

June 30, 2012

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# Independent Auditor's Report

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To the Directors of  
Community Arts & Heritage Education Project

We have audited the accompanying financial statements of Community Arts & Heritage Education Project which comprise the statement of financial position as at June 30, 2012, the statements of operations and 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 generally accepted accounting principles, 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.

**Auditor's 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 entity'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 entity'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.

**Basis for qualified opinion**

In common with many not-for-profit organizations, Community Arts & Heritage Education Project derives a portion of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the accounts of the Community Arts & Heritage Education Project and we were unable to determine whether any adjustments might be necessary to revenue, deficiency of revenues over expenses, assets and net assets.

**Qualified opinion**

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Community Arts & Heritage Education Project as at June 30, 2012, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Thunder Bay, Canada  
October 30, 2012

Chartered Accountants  
Licensed Public Accountants

## Community Arts & Heritage Education Project Statement of Operations and Net Assets

Year ended June 30	2012	2011
	\$	\$
<b>REVENUES</b>		
Admissions, sales and fundraising	1,370	1,770
Fees	46,680	42,948
Grants and funding <i>[note 4]</i>	92,923	142,352
Private sector contributions	15,668	14,606
	<b>156,641</b>	<b>201,676</b>
<b>EXPENSES</b>		
Administrative expenses, salaries and benefits	58,012	99,302
Artistic salaries and benefits	27,850	25,310
Artists' fees	42,711	33,164
Board and staff development	2,139	2,336
Marketing and promotion	1,344	3,116
Office	13,151	16,480
Professional fees	3,828	3,898
Programming	9,599	38,866
Rent	2,400	3,077
Resource production	710	679
	<b>161,744</b>	<b>226,228</b>
<b>Deficiency of revenues over expenses for year</b>	<b>(5,103)</b>	<b>(24,552)</b>
Net assets, beginning of year	17,422	41,974
<b>Net assets, end of year</b>	<b>12,319</b>	<b>17,422</b>

See accompanying notes to the financial statements.

# Community Arts & Heritage Education Project

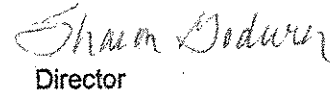
## Statement of Financial Position

As at June 30	2012	2011
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	34,236	29,977
Accounts receivable	4,373	9,614
Prepaid expenses	500	—
	<b>39,109</b>	<b>39,591</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	5,440	8,143
Deferred revenue <i>[note 3]</i>	21,350	14,026
<b>Total current liabilities</b>	<b>26,790</b>	<b>22,169</b>
<b>Net assets</b>		
Unrestricted	12,319	17,422
	<b>39,109</b>	<b>39,591</b>

See accompanying notes to the financial statements.

On behalf of the Board:

  
Director

  
Director

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## Community Arts & Heritage Education Project Statement of Cash Flows

Year ended June 30	2012	2011
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses for year	(5,103)	(24,552)
Net change in non-cash working capital balances related to operations <i>[note 5]</i>	9,362	(53,175)
<b>Cash provided by (used in) operating activities</b>	<b>4,259</b>	<b>(77,727)</b>
<b>Increase (decrease) in cash and cash equivalents during year</b>		
	<b>4,259</b>	<b>(77,727)</b>
Cash and cash equivalents, beginning of year	29,977	107,704
<b>Cash and cash equivalents, end of year</b>	<b>34,236</b>	<b>29,977</b>

See accompanying notes to the financial statements.

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# **Community Arts & Heritage Education Project**

## **Notes to the Financial Statements**

June 30, 2012

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### **1. NATURE OF ORGANIZATION**

The Community Arts & Heritage Education Project (CAHEP) is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

CAHEP was established to envision, develop and implement inclusive, culturally diverse, high quality inter-generational arts and heritage programming for the benefit of the Thunder Bay community. CAHEP is created for non-profit purposes. No part of any profit, dues or donations to the Organization shall be used to the benefit of any member or individual.

As a result of its not-for-profit status, CAHEP is exempt from the payment of income taxes under one or more provisions of the Income Tax Act (Canada).

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are within the framework of the significant accounting policies summarized below.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and in banks.

#### **Financial instruments**

The Organization has classified cash and cash equivalents as held-for-trading, accounts receivable as loans and receivables, accounts payable and accrued liabilities as other financial liabilities.

The standards require that financial assets are classified as held-for-trading (HFT), held-to-maturity (HTM), available for sale (AFS) or loans and receivables (L&R). Financial liabilities are classified as HFT or other financial liabilities (OFL). Financial assets and liabilities are initially recognized at fair value with the subsequent measurement based on classification. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable.

All financial instruments, including derivatives, are measured at fair value except for L&R, HTM and OFL which are measured at amortized cost using the effective interest method. Changes in the fair value of HFT instruments are recognized in the statement of operations and net assets. Changes in the unrealized gains and losses of AFS investments are recognized in the statement of operations and net assets. Investment income comprising interest, dividends and realized gains and losses is recognized in the statement of operations and net assets.

Fair values are based on quoted market values where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.



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# Community Arts & Heritage Education Project

## Notes to the Financial Statements

June 30, 2012

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Transaction costs related to HFT instruments are expensed as incurred. Transaction costs related to other than HFT instruments are capitalized and amortized using the effective interest method.

The Organization has chosen to apply Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" in place of Handbook Sections 3862, "Financial Instruments - Disclosure" and 3863, "Financial Instruments - Presentation" as permitted by the CICA Handbook.

### Revenue recognition

CAHEP follows the deferral method of accounting for contributions. 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. Contributions externally restricted are deferred and recognized as revenue in the year in which the expenses are recognized.

Unrestricted donations are recorded on a cash basis since pledges are not legally enforceable claims.

Interest, fundraising and other revenues are recognized as revenue when received or receivable, can be measured and collectability is assured.

### 3. DEFERRED REVENUE

Deferred revenue at year-end consists of:

	2012	2011
	\$	\$
New Horizons for Seniors Program	15,000	—
Johansen-Larsen Foundation	—	1,800
Ontario Ministry of Tourism and Culture	—	2,476
Strategic Collaboration Fund and Compass Grant - Ontario Arts Council	—	2,000
City of Thunder Bay Cultural Services - Operating	6,350	6,250
United Way	—	1,500
	<b>21,350</b>	<b>14,026</b>

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## Community Arts & Heritage Education Project

### Notes to the Financial Statements

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June 30, 2012

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#### 4. GRANTS AND FUNDING

Government grants and funding at year-end consist of:

	2012	2011
	\$	\$
Ontario Trillium Foundation	—	43,803
Canadian Heritage Federal Funding	2,500	3,700
Municipal - Arts & Heritage Thunder Bay	12,600	10,137
Northern Ontario Heritage Fund	—	7,251
Ontario Arts Council	50,347	77,151
Ontario Ministry of Tourism and Culture	17,476	310
New Horizons for Seniors Program	10,000	—
	<b>92,923</b>	<b>142,352</b>

#### 5. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2012	2011
	\$	\$
<b>Decrease (increase) in current assets</b>		
Accounts receivable	5,241	1,635
Prepaid expenses	(500)	2,640
	<b>4,741</b>	<b>4,275</b>
<b>Increase (decrease) in current liabilities</b>		
Accounts payable and accrued liabilities	(2,703)	4,056
Deferred revenue	7,324	(61,506)
	<b>4,621</b>	<b>(57,450)</b>
	<b>9,362</b>	<b>(53,175)</b>

#### 6. FINANCIAL INSTRUMENTS

Fair value

Financial instruments of CAHEP consist mainly of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial assets and liabilities approximate their fair values due to their short maturities.

#### 7. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.