

**DRAFT** Financial Statements of

**KINGSTON SCHOOL OF  
ART**

And Independent Practitioners' Review Engagement  
Report thereon

Year ended March 31, 2021  
(Unaudited)

## **INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT**

To the Directors of Kingston School of Art

We have reviewed the accompanying financial statements of Kingston School of Art, which comprise the statement of financial position as at March 31, 2021, the statement of operations and changes in net assets and the statement of cash flows for the year then ended, and notes, comprising 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 private enterprises, 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.

### *Practitioners' Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us 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, we do not express an audit opinion on these financial statements.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Kingston School of Art as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 17, 2021

# KINGSTON SCHOOL OF ART

Statement of Financial Position

**DRAFT**

March 31, 2021, with comparative information for 2020  
(Unaudited)

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 45,475	\$ 25,304
Accounts receivable (note 4)	18,495	9,795
	<u>\$ 63,970</u>	<u>\$ 35,099</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 2)	\$ 16,704	\$ 10,395
Deferred contributions	2,898	3,912
	<u>19,602</u>	<u>14,307</u>
Net assets	44,368	20,792
	<u>\$ 63,970</u>	<u>\$ 35,099</u>

See accompanying notes to financial statements.

# KINGSTON SCHOOL OF ART

Statement of Operations and Changes in Net Assets

**DRAFT**

Year ended March 31, 2021, with comparative information for 2020  
(Unaudited)

	2021	2020
Revenue:		
Course fees and art sale commissions (note 3)	\$ 99,237	\$ 99,609
Grants and awards (note 4)	15,500	590
Rental income	12,298	13,867
Gifts and donations	7,326	10,098
Other income	254	7,139
	<u>134,615</u>	<u>131,303</u>
Expenses:		
Instructors' fees (note 3)	38,223	42,768
Rent (note 4)	21,151	30,181
Salaries and benefits (note 4)	18,520	18,271
Office and general	6,382	4,854
Insurance	5,646	5,315
Utilities	5,394	6,136
Interest and bank charges	4,841	2,610
Professional fees	3,453	3,338
Art supplies	2,397	1,490
Gallery expense	2,019	1,544
Advertising and promotion	1,708	5,071
Telephone	1,305	966
	<u>111,039</u>	<u>122,544</u>
Excess of revenue over expenses	23,576	8,759
Net assets, beginning of year	20,792	12,033
Net assets, end of year	<u>\$ 44,368</u>	<u>\$ 20,792</u>

See accompanying notes to financial statements.

# KINGSTON SCHOOL OF ART

Statement of Cash Flows

**DRAFT**

Year ended March 31, 2021, with comparative information for 2020  
(Unaudited)

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 23,576	\$ 8,759
Changes in non-cash operating working capital:		
Accounts receivable	(8,700)	(128)
Accounts payable and accrued liabilities	6,309	628
Deferred contributions	(1,014)	(2,788)
Increase in cash	20,171	6,471
Cash, beginning of year	25,304	18,833
Cash, end of year	\$ 45,475	\$ 25,304

See accompanying notes to financial statements.

# KINGSTON SCHOOL OF ART

Notes to Financial Statements

**DRAFT**

Year ended March 31, 2021

(Unaudited)

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Kingston School of Art (the "Entity") is a not-for-profit organization incorporated as a corporation without share capital in the Province of Ontario. The Entity is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met. The Entity provides art classes in Kingston, Ontario and operates a gallery for the exhibition of works by local and regional artists.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

### (a) Revenue recognition:

Educational revenue, rental income and membership dues and fees are recorded when conditions and events under the relevant arrangements have been met or occurred, collection of the related receivable is probable, persuasive evidence of an arrangement exists and the consideration is fixed or determinable. Other income is recognized as revenue when earned.

Contributions that are unrestricted are recorded as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time.

### (b) Government assistance:

The Entity has applied for financial assistance under available government incentive programs. Government assistance relating to current expenses and revenue is included in determination of net earnings for the period.

### (c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated.

# KINGSTON SCHOOL OF ART

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2021

(Unaudited)

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## 1. Significant accounting policies (continued):

### (d) Capital assets:

No value is attached to capital assets for reporting purposes. Capital items acquired in the ordinary course of operations are written off as expenses in the year in which they are acquired. During the year, the Entity purchased equipment in the amount of \$Nil (2020 - \$Nil).

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Entity has not elected to subsequently carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions 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 revenue and expenses during the year. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known. Actual results could differ from those estimates.

## 2. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$993 at March 31, 2021 (2020 - \$159).



# KINGSTON SCHOOL OF ART

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2021

(Unaudited)

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### 3. Related party transactions:

Instructors' fees includes an amount of \$5,255 (2020 - \$19,613) charged to the Entity by certain board members for services rendered.

Course fees and art sale commissions include \$135 (2020 - \$520) in commission revenue earned from the sale of art-works of certain board members.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 4. Effect of COVID-19 and government assistance:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, Kingston School of Art has undertaken the following activities in relation to the COVID-19 pandemic:

- Required employees to wear masks when in common areas and practice social distancing when possible.
- Increased cleaning protocols based on Provincial and Local Public Health recommendations.
- Offered online art courses and virtual art gallery.
- Received rent relief from landlords in the amount of \$5,281.
- As described below, the Entity applied for and received applicable government assistance.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the report which provide additional evidence relating to conditions that existed as at year end. Management has assessed the financial impacts summarized above at this time and determined there to be no current year financial effect.

The Entity has applied for the Resilient Communities Fund through the Ontario Trillium Foundation in the amount of \$15,500 which is recorded as income. The Entity has applied for the Canada Emergency Wage Subsidy in the amount of \$8,063 and the Canada Emergency Rent Subsidy in the amount of \$3,686 which are recorded as a reduction of expenses. The Entity received \$19,622 during the year and the remaining \$7,627 is included in accounts receivable.

# KINGSTON SCHOOL OF ART

Notes to Financial Statements (continued)

***DRAFT***

Year ended March 31, 2021

(Unaudited)

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## **5. Financial risks and concentration of risk:**

### (a) Liquidity risk:

Liquidity risk is the risk that Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Entity manages its liquidity risk by monitoring its operating requirements. Entity prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2020 other than the risks from the COVID-19 outbreak as discussed in note 4.

## **6. Commitment:**

The Entity is committed for a property lease for the period from June 1, 2019 to January 13, 2023. Lease payments for the 2022 year are \$31,828 and for 2023 are \$24,983.