

**FRANKLIN CARMICHAEL ART GROUP**  
**Financial Statements**  
**Year Ended May 31, 2019**

**FRANKLIN CARMICHAEL ART GROUP**  
**Index to Financial Statements**  
**Year Ended May 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Franklin Carmichael Art Group

We have audited the accompanying financial statements of Franklin Carmichael Art Group, which comprise the statement of financial position as at May 31, 2019 and the statements of revenues and expenditures, changes in net assets and cash flow 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.

### 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 audit opinion.

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Independent Auditor's Report to the Members of Franklin Carmichael Art Group *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Franklin Carmichael Art Group as at May 31, 2019 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*ent Vaughan LLP*

Woodbridge, ON  
October 28, 2019

ENT Vaughan LLP  
Chartered Professional Accountants  
Licensed Public Accountants

**FRANKLIN CARMICHAEL ART GROUP**

**Statement of Financial Position**

**May 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 17,978	\$ 10,575
Inventory	500	500
Harmonized sales tax recoverable	986	1,031
Prepaid expenses	316	316
	<u>19,780</u>	12,422
CAPITAL ASSETS (Note 5)	<u>4,483</u>	6,939
	<u>\$ 24,263</u>	<u>\$ 19,361</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 493	\$ 420
Deferred income	721	395
	<u>1,214</u>	815
<b>NET ASSETS</b>		
General fund	17,149	10,190
Capital asset fund	4,483	6,939
Internally restricted reserve fund	1,417	1,417
	<u>23,049</u>	18,546
	<u>\$ 24,263</u>	<u>\$ 19,361</u>

**ON BEHALF OF THE BOARD**

*CDiNucci*

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to financial statements

**FRANKLIN CARMICHAEL ART GROUP**  
**Statement of Revenues and Expenditures**  
**Year Ended May 31, 2019**

	2019	2018
<b>REVENUES</b>		
Class and membership fees	\$ 42,794	\$ 34,990
Grants and government funding	14,836	6,710
Show and commissions	2,260	2,071
Fundraising revenue	1,639	2,535
Donation revenue	1,562	2,535
Rental income	150	175
Interest income	1	5
	<u>63,242</u>	<u>49,021</u>
<b>EXPENDITURES</b>		
Teacher fees	23,811	20,198
Administrator consulting fee	10,294	9,527
Show expenses	4,753	1,373
Utilities	4,610	5,679
Insurance	4,463	3,929
Office	2,723	2,313
Amortization of tangible assets	2,456	2,666
Telephone	1,499	1,396
Model Fees	1,000	1,225
Fundraising expense	873	375
Class supplies	733	730
Repairs and maintenance	490	728
Accounting fees	392	709
Miscellaneous	346	830
Interest and bank charges	227	161
Business taxes, licenses and memberships	69	-
	<u>58,739</u>	<u>51,839</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 4,503</b>	<b>\$ (2,818)</b>

See accompanying notes to financial statements

**FRANKLIN CARMICHAEL ART GROUP****Statement of Changes in Net Assets****Year Ended May 31, 2019**

	General Fund	Capital Asset Fund	Internally Restricted Reserve Fund	<b>2019</b>	2018
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 10,190	\$ 6,939	\$ 1,417	<b>\$ 18,546</b>	\$ 21,364
EXCESS OF REVENUES OVER EXPENDITURES	6,959	(2,456)	-	<b>4,503</b>	(2,818)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 17,149</b>	<b>\$ 4,483</b>	<b>\$ 1,417</b>	<b>\$ 23,049</b>	<b>\$ 18,546</b>

See accompanying notes to financial statements

**FRANKLIN CARMICHAEL ART GROUP****Statement of Cash Flow****Year Ended May 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	\$ 4,503	\$ (2,818)
Item not affecting cash:		
Amortization of tangible assets	<u>2,456</u>	2,666
	<u>6,959</u>	(152)
Changes in non-cash working capital:		
Accounts payable	73	(1,069)
Deferred income	326	395
Harmonized sales tax payable	<u>45</u>	<u>3,431</u>
	<u>444</u>	2,757
<b>INCREASE IN CASH FLOW</b>	<b>7,403</b>	2,605
Cash - beginning of year	<u>10,575</u>	7,970
<b>CASH - END OF YEAR</b>	<b>\$ 17,978</b>	\$ 10,575
<b>CASH CONSISTS OF:</b>		
Cash	<u>\$ 17,978</u>	\$ 10,575

See accompanying notes to financial statements



# FRANKLIN CARMICHAEL ART GROUP

## Notes to Financial Statements

Year Ended May 31, 2019

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### 1. PURPOSE OF THE COMPANY

Franklin Carmichael Art Group (the "company") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. As a registered charity the company is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The company operates to promote the appreciation of art, for the benefit of the general public, is the mission statement of the Franklin Carmichael Art Group Inc. It offers classes and workshops in various mediums, such as watercolour, oil and acrylic. Classes are available for all age groups, including seniors and children. It provides opportunities for its members to display their work at various art shows. It is an Ontario not-for-profit corporation created without share capital and is a registered charity under the Income Tax Act of Canada. ..

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### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

#### Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Artbooks	20%	declining balance method
Artwork	N/A	
Office equipment	20%	declining balance method
Computer hardware	55%	declining balance method
Sign	20%	declining balance method
Shed	20%	declining balance method
Leasehold improvements	20%	straight-line method

The company regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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# FRANKLIN CARMICHAEL ART GROUP

## Notes to Financial Statements

Year Ended May 31, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

Franklin Carmichael Art Group follows the deferral method of accounting for contributions.

Franklin Carmichael Art Group recognizes all donations (unrestricted and restricted) as revenue when received.

Income from Fundraising events is recognized as revenue when the event occurs and monies are received.

Class and workshop fees are recognized as revenue when the seminars are held.

#### Contributed services

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

#### Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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### 4. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of May 31, 2019.

#### ***(a) Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

#### ***(b) Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

#### ***(c) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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# FRANKLIN CARMICHAEL ART GROUP

## Notes to Financial Statements

Year Ended May 31, 2019

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### 4. FINANCIAL INSTRUMENTS *(continued)*

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.

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### 5. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 24,655	\$ 23,652	\$ 1,003	\$ 1,253
Computer hardware	6,583	6,495	88	196
Artwork	650	-	650	650
Artbooks	8,898	8,662	236	295
Leasehold improvements	11,335	8,829	2,506	4,545
Shed	3,348	3,348	-	-
Sign	1,438	1,438	-	-
	<u>\$ 56,907</u>	<u>\$ 52,424</u>	<u>\$ 4,483</u>	<u>\$ 6,939</u>

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### 6. INTERNALLY RESTRICTED RESERVE FUNDS

At a special meeting of February 22, 2014, the board of directors, passed a motion to segregate the accumulated surplus into four internally restricted reserves. The balance of three reserve funds are listed below, the remainder is left in the general fund.:

	2019	2018
<b>Balance carried over from prior year</b>		
Office equipment replacement fund	\$ 1,417	\$ 1,417
Expenditures incurred this year	-	-

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### 7. GOVERNMENT GRANT

The company has received a grant from the Toronto Arts Council totalling \$5,850 in support of the operations of the organization. The organization also received a project grant of \$8,000 from Cultural Hotspot, City of Toronto.

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### 8. INCOME TAX

Franklin Carmichael Art Centre is exempt from corporate income tax under section 148 of the Income Tax Act.

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### 9. YEAR END AUDIT

The audit for year ended May 31, 2019, was done for no fee.

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