

FRANKLIN CARMICHAEL ART GROUP
Financial Statements
May 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Franklin Carmichael Art Group

Opinion

We have audited the financial statements of Franklin Carmichael Art Group (the Company), which comprise the statement of financial position as at May 31, 2022, and the statements of revenues and expenditures, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 Company in accordance with 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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.

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

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 Company'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 Company'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 Company 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.

ent Vaughan LLP

Woodbridge, ON
ENT Vaughan LLP
November 6, 2022

Chartered Professional Accountants
Licensed Public Accountants

FRANKLIN CARMICHAEL ART GROUP
Statement of Financial Position
As at May 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 38,796	\$ 24,048
Inventory	500	500
Harmonized sales tax recoverable	1,537	1,149
Prepaid expenses	698	791
	<u>41,531</u>	<u>26,488</u>
CAPITAL ASSETS (Note 5)	<u>1,284</u>	<u>1,644</u>
	<u>\$ 42,815</u>	<u>\$ 28,132</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 1,059	\$ 378
Deferred income	9,478	-
	<u>10,537</u>	<u>378</u>
NET ASSETS		
General fund	29,577	24,693
Capital fund	1,284	1,644
Internally restricted reserve fund	1,417	1,417
	<u>32,278</u>	<u>27,754</u>
	<u>\$ 42,815</u>	<u>\$ 28,132</u>

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

FRANKLIN CARMICHAEL ART GROUP
Statement of Revenues and Expenditures
For the Year Ended May 31, 2022

	2022	2021
REVENUES		
Class and membership fees	\$ 22,464	\$ 16,155
Ontario COVID grants	10,000	35,326
Other grants and funding	21,398	12,139
Donation revenue	5,127	6,715
Toronto Arts grant	2,300	4,600
Fundraising revenue	240	1,357
Interest income	6	-
Summer camp employment grant	-	20,758
	<u>61,535</u>	<u>97,050</u>
EXPENSES		
Teacher fees	16,573	14,818
Consulting fees	10,727	9,639
Wages and benefits	6,564	28,159
Utilities	5,104	4,742
Insurance	5,016	4,544
Office	3,355	5,236
Class supplies	2,664	1,881
Advertising and promotion	1,669	263
Office and general	1,466	-
Telephone	1,097	1,395
Interest and bank charges	874	1,438
Repairs and maintenance	782	683
Model Fees	700	400
Amortization	360	533
Show expenses	60	-
Fundraising expense	-	49
	<u>57,011</u>	<u>73,780</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 4,524</u>	<u>\$ 23,270</u>

See notes to financial statements

FRANKLIN CARMICHAEL ART GROUP
Statement of Changes in Net Assets
For the Year Ended May 31, 2022

	General Fund	Capital Fund	Internally Restricted Reserve Fund	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 24,693	\$ 1,644	\$ 1,417	\$ 27,754	\$ 4,484
EXCESS OF REVENUES OVER EXPENSES	4,884	(360)	-	4,524	23,270
NET ASSETS - END OF YEAR	\$ 29,577	\$ 1,284	\$ 1,417	\$ 32,278	\$ 27,754

See notes to financial statements

FRANKLIN CARMICHAEL ART GROUP
Statement of Cash Flows
For the Year Ended May 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 4,524	\$ 23,270
Item not affecting cash:		
Amortization of capital assets	427	466
	<u>4,951</u>	<u>23,736</u>
Changes in non-cash working capital:		
Accounts payable	614	187
Deferred income	9,478	(3,420)
Prepaid expenses	93	-
Harmonized sales tax payable	(388)	11
	<u>9,797</u>	<u>(3,222)</u>
INCREASE IN CASH FLOW	14,748	20,514
Cash - beginning of year	<u>24,048</u>	<u>3,534</u>
CASH - END OF YEAR	\$ 38,796	\$ 24,048

FRANKLIN CARMICHAEL ART GROUP

Notes to Financial Statements

Year Ended May 31, 2022

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. ..

2. BASIS OF PRESENTATION

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

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 and 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, 2022

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.

4. FINANCIAL INSTRUMENTS

(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) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is exposed to other price risk through its investment in quoted shares.

(d) Additional risk

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

FRANKLIN CARMICHAEL ART GROUP
Notes to Financial Statements
Year Ended May 31, 2022

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Equipment	\$ 24,655	\$ 24,050	\$ 605	\$ 642
Artwork	650	-	650	650
Artbooks	8,898	8,869	29	151
Leasehold improvements	11,335	11,335	-	201
Shed	3,348	3,348	-	-
Sign	1,438	1,438	-	-
	\$ 50,324	\$ 49,040	\$ 1,284	\$ 1,644

6. INCOME TAX

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

7. YEAR END AUDIT

The audit for year ended May 31, 2022, was done for no fee.,
