

FRANKLIN CARMICHAEL ART GROUP

Financial Statements

May 31, 2020

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Index to Financial Statements
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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

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, 2020, 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, 2020, 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

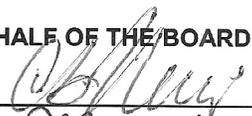
Woodbridge, ON
October 23, 2020

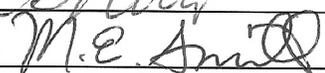
ENT Vaughan LLP
Chartered Professional Accountants
Licensed Public Accountants

FRANKLIN CARMICHAEL ART GROUP
Statement of Financial Position
As at May 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 3,534	\$ 17,978
Inventory	500	500
Harmonized sales tax recoverable	1,160	986
Prepaid expenses	791	316
	<u>5,985</u>	<u>19,780</u>
CAPITAL ASSETS (Note 5)	<u>2,108</u>	<u>4,483</u>
	<u>\$ 8,093</u>	<u>\$ 24,263</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 189	\$ 493
Deferred income	3,420	721
	<u>3,609</u>	<u>1,214</u>
NET ASSETS		
General fund	959	17,149
Capital fund	2,108	4,483
Internally restricted reserve fund	1,417	1,417
	<u>4,484</u>	<u>23,049</u>
	<u>\$ 8,093</u>	<u>\$ 24,263</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, 2020

	2020	2019
REVENUES		
Class and membership fees	\$ 27,187	\$ 42,794
Grants and government funding <i>(Note 7)</i>	7,036	14,836
Show and commissions	793	2,260
Donation revenue	625	1,562
Fundraising revenue	317	1,639
Rental income	50	150
Interest income	11	1
	36,019	63,242
EXPENSES		
Teacher fees	20,277	23,811
Consulting fees	9,741	10,294
Utilities	5,144	4,610
Show expenses	4,210	4,753
Insurance	3,564	4,463
Amortization	2,375	2,456
Office	2,033	2,723
Fundraising expense	1,774	873
Telephone	1,601	1,499
Accounting fees	981	392
Repairs and maintenance	977	490
Model Fees	800	1,000
Class supplies	697	733
Interest and bank charges	223	227
Miscellaneous	122	346
Business taxes, licenses and memberships	65	69
	54,584	58,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (18,565)	\$ 4,503

See notes to financial statements

FRANKLIN CARMICHAEL ART GROUP
Statement of Changes in Net Assets
For the Year Ended May 31, 2020

	General Fund	Capital Fund	Internally Restricted Reserve Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 17,149	\$ 4,483	\$ 1,417	\$ 23,049	\$ 18,546
DEFICIENCY OF REVENUES OVER EXPENSES	(16,190)	(2,375)	-	(18,565)	4,503
NET ASSETS - END OF YEAR	\$ 959	\$ 2,108	\$ 1,417	\$ 4,484	\$ 23,049

FRANKLIN CARMICHAEL ART GROUP**Statement of Cash Flows****For the Year Ended May 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (18,565)	\$ 4,503
Item not affecting cash:		
Amortization of capital assets	2,375	2,456
	<u>(16,190)</u>	<u>6,959</u>
Changes in non-cash working capital:		
Accounts payable	(304)	73
Deferred income	2,699	326
Prepaid expenses	(475)	-
Harmonized sales tax payable	(174)	45
	<u>1,746</u>	<u>444</u>
INCREASE (DECREASE) IN CASH FLOW	(14,444)	7,403
Cash - beginning of year	<u>17,978</u>	<u>10,575</u>
CASH - END OF YEAR	\$ 3,534	\$ 17,978

See notes to financial statements

FRANKLIN CARMICHAEL ART GROUP

Notes to Financial Statements

Year Ended May 31, 2020

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, 2020

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, 2020

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 24,655	\$ 23,853	\$ 802	\$ 1,003
Computer hardware	6,583	6,583	-	88
Artwork	650	-	650	650
Artbooks	8,898	8,709	189	236
Leasehold improvements	11,335	10,868	467	2,506
Shed	3,348	3,348	-	-
Sign	1,438	1,438	-	-
	<u>\$ 56,907</u>	<u>\$ 54,799</u>	<u>\$ 2,108</u>	<u>\$ 4,483</u>

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.:

	2020	2019
Balance carried over from prior year		
Office equipment replacement fund	\$ 1,417	\$ 1,417
Expenditures incurred this year	-	-

7. GOVERNMENT FUNDING

The company has received a grant from the Toronto Arts Council totalling \$4,600 in support of the operations of the organization as well as a project grant of \$1,450 from the City of Toronto. The company received a HST rebate of \$986 in the year.

8. INCOME TAX

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

9. YEAR END AUDIT

The audit for year ended May 31, 2020, was done for no fee.

FRANKLIN CARMICHAEL ART GROUP

Notes to Financial Statements

Year Ended May 31, 2020

10. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at May 31, 2020, the company was aware of changes in its operations as a result of the COVID-19 crisis, including the closure of its offices.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the company's operations as at the date of these financial statements.
