Ontario Association of Art Galleries

Financial Statements

March 31, 2023

Chaplin & co

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August 10, 2023

Independent Auditors' Report

To the members of Ontario Association of Art Galleries

Opinion
We have audited the financial statements of Ontario Association of Art Galleries, which comprise the balance sheet as at March 31, 2023, and the statements of revenue and expenses and 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 Ontario Association of Art Galleries as at March 31, 2023, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Ontario Association of Art Galleries 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 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.

In preparing the financial statements, management is responsible for assessing Ontario Association of Art Galleries' 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 Ontario Association of Art Galleries or to cease operations, or has no realistic alternative but to do so.

Those charges with governance are responsible for overseeing Ontario Association of Art Galleries' financial reporting process.

Roger Chaplin CPA, CA LPA MA (Oxon) Gail Bergman CPA, CA LPA B Comm

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Auditors' 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 Auditors' 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Ontario Association of Art Galleries 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 Ontario Association of Art Galleries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' 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 Auditors' report. However, future events or conditions may cause Ontario Association of Art Galleries 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.

Other matter
The prior year's financial statements were audited by another firm of Chartered Professional Accountants who issued a similarly-worded audit opinion on August 18, 2022.

Chaplin & Co. LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

Chaplin & co

	Notes	March 31 2023	2022
Assets			
Current			
Cash		$ 280,631	$ 493,624
Accounts receivable	2	1,776	10,150
Grant receivable		3,000	3,480
Public Service Bodies rebate recoverable		19,052	12,634
Prepaid expenses		4,768	3,246
		309,227	523,134
Capital assets	3	4,386	156
		$ 313,613	$ 523,290
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 3,825	$ 4,892
Government remittances payable		1,327	1,327
Deferred revenue	4	158,499	307,699
Canada Emergency Business Account loan payable	5	40,000	-
		203,651	313,918
Canada Emergency Business Account loan payable	5	-	40,000
		203,651	353,918
Net assets		109,962	169,372
		$ 313,613	$ 523,290

See accompanying notes

Approved on behalf of the Board of Directors of Ontario Association of Art Galleries

Robert Steven, President

Glen Bloom, Treasurer

	Notes	Year ended March 31 2023	2022
Revenue			
Grants	3	$ 293,790	$ 283,010
Membership fees		48,774	45,090
Professional development		2,200	27,682
Corporate sponsorship - awards		9,200	4,000
Auction - awards		808	1,654
General donations and sponsorship		1,585	2,769
Interest income	5	4,484	4,762
Other		2,403	5,516
		363,244	374,483
Expenses			
Amortization		2,349	312
Audit		4,725	4,725
Bookkeeping		7,566	8,400
Bank charges		1,625	2,377
Communication		1,503	8,402
Equipment leasing		1,812	1,698
Insurance		3,320	3,142
Member services		4,893	6,977
Meeting and travel		529	462
Non-recoverable sales tax		9,040	7,970
Occupancy		16,420	16,370
Office and general		14,092	10,743
Promotion		372	1,013
Programming (page 5)		188,860	191,101
Salaries and benefits		150,089	135,574
Salaries - Young Canada Works		21,675	20,297
		428,870	419,563
Excess of expenses over revenue before under-noted		(65,626)	(45,080)
Canada Emergency Wage Subsidy		6,216	26,788
Canada Emergency Rent Subsidy		-	6,798
Excess of expenses over revenue for the year		(59,410)	(11,494)
Net assets, beginning of year		169,372	180,866
Net assets, end of year		$ 109,962	$ 169,372

See accompanying notes

	Year ended March 31 2023	2022
Canada Council for the Arts		
Executive Data Project	$ 155,922	$ 137,559
Public Art Galleries Summit	6,720	2,400
Canadian Heritage		
Strategic Initiative Fund	12,247	-
Catalogue and interpretative materials	-	1,750
Catering	1,897	-
Commissioned artist and presenter fee	4,150	19,138
Design and editing fees	500	500
Licensing, copyright, royalties	189	189
Project coordination fees	1,154	26,576
Travel, accommodation, per diem	2,352	-
Web hosting, maintenance, internet	3,729	2,989
	$ 188,860	$ 191,101

See accompanying notes

	Year ended May 31 2023	2022
Cash provided by (used in)		
Operations		
Excess of expenses over revenue for the year	$ (59,410)	$ (11,494)
Items not affecting cash:		
Amortization	2,349	312
	(57,061)	(11,182)
Changes in non-cash working capital		
Account receivable	8,374	11,920
Grants receivable	480	46,804
Public Service Bodies rebate recoverable	(6,418)	(2,526)
Prepaid expenses	(1,522)	1,040
Accounts payable and accrued liabilities	(1,067)	(3,899)
Government remittance payable	-	(65)
Deferred revenue	(149,200)	(20,335)
	(206,414)	21,757
Investing		
Purchase of capital assets	(6,579)	-
Increase (decrease) in cash during year	(212,993)	21,757
Cash, beginning of year	493,624	471,867
Cash, end of year	$ 280,631	$ 493,624

See accompanying notes

Ontario Association of Art Galleries (Galleries Ontario), which was incorporated as a corporation without share capital by letters patent under the Ontario Corporation Act on October 9, 1970, is a leading art service organization, effectively representing Ontario's public art galleries as essential and valued cultural resources.

Galleries Ontario is a charitable organization and, as such, is exempt from income taxes.

1. Summary of significant accounting policies

Basis of presentation
The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Financial instruments
Galleries Ontario initially records all financial instruments at fair market value, and subsequently records them at amortized cost.

Capital assets
Capital assets are stated at cost.

Capital assets are amortized over their estimated useftil life on a straight-line basis at the following rates:

Computer equipment	3 years
Leasehold improvements	3 years

Capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital assets exceeds its fair value.

No impairment was noted in 2023.

Revenue recognition
Galleries Ontario follows the deferral method of accounting for contributions.

Grants, sponsorships, and donations received for specified purposes are recognized as revenue in the year in which the related expenses are incurred.

Membership fees, unrestricted contributions, and other revenue are recognized as revenue when received or receivable.

Interest income is recognized as revenue in the year it is earned.

Donated materials and services
Any donated goods and services, to the extent that they would normally be purchased if not donated, are recorded at fair value. Volunteer services are not recognized in these financial statements because of the difficulty associated with determining the fair value of same.

1. **Summary of significant accounting policies** (continued)

Use of estimates
The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. **Accounts receivable**
Accounts receivable are net of an allowance for doubtful accounts of $nil (2022- $nil)

3. **Capital assets**

	2023		
	Cost	Accumulated amortization	Net book value
Computer equipment	$ 13,241	$ 8,855	$ 4,386

	2022		
	Cost	Accumulated amortization	Net book value
Computer equipment	$ 6,662	$ 6,506	$ 156

4. **Deferred grants**

	Balance beginning of year	Amounts received during the year	Recognized during the year	Balance end of year
Canada Council for the Arts				
Executive Data project	$ 217,600	$ -	$ 155,922	$ 61,678
Public Art Galleries Summit	55,000	-	6,720	48,280
Canadian Heritage				
Strategic Initiative Fund	25,099	6,250	12,247	19,102
Museum Assistance Program	-	36,441	7,002	29,439
Canadian Museum Association				
Young Canada Works	-	16,898	16,898	-
City of Toronto	10,000	-	10,000	-
Ontario Arts Council	-	61,001	61,001	-
Toronto Arts Council	-	24,000	24,000	-
	$ 307,699	$ 144,590	$ 293,790	$ 158,499

5. Canada Emergency Business Account loan payable

The Canada Emergency Business Account loan of $60,000 payable to The Toronto-Dominion Bank, is non-interest bearing, with the balance originally due on December 31, 2022; subsequently extended to December 31, 2023.

If $40,000 of the loan is repaid by December 31, 2023, the remaining loan balance of $20,000 will be forgiven. However, if the loan is not repaid by that date, it will become a term loan, bearing interest at 5% per annum, repayable monthly, interest only, with the balance due on December 31, 2025.

As Galleries Ontario intends to repay the loan by the deadline, the forgivable portion of the loan was recognized in the year ended March 31, 2021.

6. Endowment fund

Galleries Ontario has established the Ontario Association of Art Galleries Arts Endowment Fund (Fund) at the Ontario Arts Foundation (OAF) under the terms of the Arts Endowment Fund (AEF) Program. The AEF is a program of the Government of Ontario through the Ministry of Culture and administered by the OAF.

The Fund will be held in perpetuity for the organization. As at March 31, 2023, the market value of the Fund was $88,246 (2022 - 91,710).

During the year, the Galleries received investment income of $4,484 (2022 - $4,762) to be used for operations.

7. Commitments

Minimum annual rent, exclusive of operating costs, under the office leases, which expire on May 31, 2026, are as follows:

2024	$ 15,308
2025	15,690
2026	16,161
2027	2,707
	$ 49,866

8. Financial instruments

Galleries Ontario 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 Galleries Ontario 's risk exposure and concentration as of March 31, 2023:

Credit risk

Credit risk is the risk one party of a financial instalment will cause a financial loss for the other party by failing to discharge and obligation. Galleries Ontario is exposed to this risk associated with its holdings of cash with a financial institution and accounts receivable. To mitigate this risk, Galleries Ontario places the majority of its cash in an account with a major bank.

Galleries Ontario 's credit risk is considered to be low.

8. **Financial instruments** (continued)

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Galleries Ontario manages this risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Galleries Ontario's financial instruments consist of cash, receivables, accounts payable and accrued charges, and deferred contributions. Unless otherwise noted, it is management's opinion thatOntario Association of Art Galleries is not exposed to significant interest, credit or currency risks.

The fair value of these financial instruments approximates their carrying values.

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, Galleries Ontario manages exposure through its normal operating and financing activities. Galleries Ontario is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that Galleries Ontario is not exposed to significant other price risks.

9. **Comparative figures**
The comparative figures have been restated to agree with the current year's financial statement presentation.