

Island Media Arts Co-operative Ltd.

Financial Statements
(Unaudited)
March 31, 2019

Draft

Independent Practitioner's Review Engagement Report

To the Shareholders of Island Media Arts Co-operative Ltd.

We have reviewed the accompanying financial statements of Island Media Arts Co-operative Ltd. that comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net assets and cash flows 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.

Practitioner's 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 Island Media Arts Co-operative Ltd. as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Island Media Arts Co-operative Ltd.

Statement of Financial Position

(Unaudited)

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and short-term deposits	72,329	38,778
Accounts receivable (note 3)	36,580	23,546
Prepaid expenses	6,626	14,056
	<u>115,535</u>	<u>76,380</u>
Capital assets (note 4)	<u>154,703</u>	<u>95,803</u>
	<u>270,238</u>	<u>172,183</u>
Liabilities		
Current liabilities		
Short-term loan (note 5)	-	15,000
Accounts payable and accrued liabilities (note 6)	2,485	12,075
Deferred revenue (note 7)	106,727	50,410
	<u>109,212</u>	<u>77,485</u>
Deferred capital contributions (note 8)	<u>121,659</u>	<u>51,770</u>
	<u>230,871</u>	<u>129,255</u>
Net Assets	<u>39,367</u>	<u>42,928</u>
	<u>270,238</u>	<u>172,183</u>

Approved by the Board of Directors

Director

Director

Island Media Arts Co-operative Ltd.

Statement of Changes in Net Assets

(Unaudited)

For the year ended March 31, 2019

	2019 \$	2018 \$
Net assets - Beginning of year	42,928	57,587
Excess expenses for the year	<u>(3,561)</u>	<u>(14,659)</u>
Net assets - End of year	<u>39,367</u>	<u>42,928</u>

Draft

Island Media Arts Co-operative Ltd.

Statement of Operations

(Unaudited)

For the year ended March 31, 2019

	2019 \$	2018 \$
Revenue		
Project revenues (Schedule)	288,688	54,719
Federal government operating grants	71,639	66,639
Provincial government grants	15,625	8,330
Equipment rentals	16,546	12,774
Memberships	3,429	2,708
Workshops and miscellaneous	4,751	167
Corporate donations	514	250
Fundraising events	8,296	4,257
Wage subsidies	20,190	-
Amortization of deferred capital contributions	24,514	5,752
	<u>454,192</u>	<u>155,596</u>
Expenses		
Artist fees	1,200	2,999
Coordinator fees	546	-
Equipment and production	18,647	4,370
Honoraria	902	1,329
Insurance	4,199	3,822
Interest and bank charges	463	217
Marketing	3,186	2,583
Office and miscellaneous	4,640	5,172
Professional fees	9,766	14,936
Project expenses (Schedule)	278,517	55,566
Rent	34,885	15,601
Telephone	2,809	2,807
Travel and entertainment	3,358	2,184
Wages and benefits	59,132	39,236
Workshop	-	817
Amortization	35,503	18,616
	<u>457,753</u>	<u>170,255</u>
Excess expenses for the year	<u>(3,561)</u>	<u>(14,659)</u>

Island Media Arts Co-operative Ltd.

Statement of Cash Flows

(Unaudited)

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess expenses for the year	(3,561)	(14,659)
Items not affecting cash		
Amortization	35,503	18,616
Amortization of deferred capital contributions	(24,514)	(5,752)
	7,428	(1,795)
Net change in non-cash working capital items		
Increase in accounts receivable	(13,034)	(15,795)
Decrease (increase) in prepaid expenses	7,430	(5,677)
Increase (decrease) in accounts payable and accrued liabilities	(9,590)	10,830
Increase in deferred revenue	56,317	35,410
	48,551	22,973
Financing activities		
Increase in short-term loan	-	15,000
Increase in deferred capital contributions	94,405	57,521
Payments on short-term loan	(15,000)	-
	79,405	72,521
Investing activity		
Purchase of capital assets	(94,405)	(73,850)
Increase in cash and short-term deposits	33,551	21,644
Cash and short-term deposits - Beginning of year	38,778	17,134
Cash and short-term deposits - End of year	72,329	38,778

Island Media Arts Co-operative Ltd.

Notes to Financial Statements

(Unaudited)

March 31, 2019

1 Purpose of the organization

Island Media Arts Co-operative Ltd. is a not-for-profit organization incorporated without share capital under the laws of the Province of Prince Edward Island, and is exempt from income taxes. Island Media Arts Co-operative Ltd.'s principal business activity includes assisting local artists by providing services and programs to help them achieve their objectives.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash and deposits

Cash and deposits consists of the organization's bank account balances and cash on hand.

Amortization

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

	Rate
Equipment	20%
Computer equipment	30%
Camera equipment	30%
Furniture and fixtures	20%
Sound equipment	30%

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government assistance related to purchase of capital assets is recorded as deferred capital contributions. Government assistance related to operating expenses is recorded as revenue.

Revenue recognition

Revenue is recognized using the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Island Media Arts Co-operative Ltd.

Notes to Financial Statements

(Unaudited)

March 31, 2019

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the estimated useful life of capital assets. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Financial instruments

(a) Measurement of financial instruments

Island Media Arts Co-operative Ltd.'s financial instruments consist of cash and deposits, accounts receivable and accounts payable and accrued liabilities.

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess expenses.

(c) Risks

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The organization is exposed to credit risk in connection with the collection of its accounts receivable. The organization mitigates this risk by performing continuous evaluation of its accounts receivables.

Island Media Arts Co-operative Ltd.

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- ii) Liquidity risk: The organization's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

3 Accounts receivable

	2019 \$	2018 \$
Trade accounts receivable	4,619	4,843
Government contributions receivable	14,325	-
HST receivable	17,636	18,703
	<u>36,580</u>	<u>23,546</u>

4 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	-	-	-	-
Equipment	152,337	93,411	58,927	73,659
Computer equipment	25,925	17,192	8,734	1,529
Camera equipment	177,673	101,294	76,380	13,090
Furniture and fixtures	21,620	21,365	255	320
Sound equipment	49,487	39,080	10,407	7,205
	<u>427,042</u>	<u>272,342</u>	<u>154,703</u>	<u>95,803</u>

5 Short-term loan

	2019 \$	2018 \$
Prime rate + 2%, Finance PEI demand loan, repaid during the year	<u>-</u>	<u>15,000</u>

Island Media Arts Co-operative Ltd.

Notes to Financial Statements

(Unaudited)

March 31, 2019

6 Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Trade payable	2,485	11,925
Source deductions payable	-	150
	<u>2,485</u>	<u>12,075</u>

7 Deferred revenue

	2019	2018
	\$	\$
Balance - beginning of year	50,410	15,000
Provincial and municipal contributions received during the year	184,832	34,080
Federal contributions received during the year	204,185	15,000
Amount recognized as revenue during the year	<u>(332,700)</u>	<u>(13,670)</u>
Balance - end of year	<u>106,727</u>	<u>50,410</u>

8 Deferred capital contributions

	2019		2018	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Equipment	104,336	62,920	41,416	51,770
Computer equipment	19,207	11,137	8,070	-
Camera equipment	132,595	65,379	67,216	-
Sound equipment	<u>6,309</u>	<u>1,352</u>	<u>4,957</u>	<u>-</u>
	<u>262,447</u>	<u>140,788</u>	<u>121,659</u>	<u>51,770</u>

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Notes to Financial Statements

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9 Commitment

Island Media Arts Co-operative Ltd. has entered into a building lease agreement. The lease agreement expires February 29, 2028. Minimum lease payments are as follows:

	\$
Year ending March 31, 2020	31,255
2021	31,255
2022	31,255
2023	31,255
2024	31,255
2025	31,255
2026	31,255
2027	31,255
2028	28,650

10 Comparative figures

Certain comparative figures presented for the 2018 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

Island Media Arts Co-operative Ltd.

Schedule of Project Revenue and Expenses

(Unaudited)

For the year ended March 31, 2019

Schedule

	Bootcamp \$	CMHA \$	Film4Ward \$	PEI Film Initiative \$	Women Making Waves \$	2019 Total \$
Revenues						
Earned revenues	-	14,070	75	-	-	14,145
Donations	6,830	-	-	-	-	6,830
Federal revenues	15,000	4,000	15,000	84,449	-	118,449
Provincial revenues	45,900	-	65,464	35,000	2,400	148,764
Municipal revenues	500	-	-	-	-	500
	68,230	18,070	80,539	119,449	2,400	288,688
Expenses						
Artist fees	-	6,000	1,000	-	-	7,000
Co-ordinator fees	5,123	9,000	10,850	-	-	24,973
Craft services	964	-	-	-	-	964
Directors' fees	-	-	5,190	-	-	5,190
Equipment	-	-	-	10,141	-	10,141
Grants	15,000	-	51,200	-	-	66,200
Honoraria	16,500	-	2,400	-	1,800	20,700
Instructor fees	3,139	-	6,750	-	-	9,889
Marketing	1,313	-	862	-	-	2,175
Meals	595	-	537	-	-	1,132
Office and telephone	2,565	-	-	35	-	2,600
Production	1,000	-	200	1,482	-	2,682
Professional fees	-	-	750	-	-	750
Rent	2,948	-	-	-	-	2,948
Set expense	-	-	-	103,602	-	103,602
Travel	13,531	-	800	-	60	14,391
Wages	-	3,070	-	-	-	3,070
Workshop	110	-	-	-	-	110
	62,788	18,070	80,539	115,260	1,860	278,517
Net revenue	5,442	-	-	4,189	540	10,171

Island Media Arts Co-operative Ltd.

Schedule of Project Revenue and Expenses

(Unaudited)

For the year ended March 31, 2018

Schedule

	Bootcamp \$	Writers Retreat \$	2018 Total \$
Revenues			
Earned revenues	-	5,200	5,200
Donations	12,627	2,842	15,469
Federal revenues	15,000	-	15,000
Provincial revenues	18,550	-	18,550
Municipal revenues	500	-	500
	<hr/> 46,677	<hr/> 8,042	<hr/> 54,719
Expenses			
Catering	3,795	-	3,795
Equipment expense	644	-	644
Instructor fees	15,117	2,149	17,266
Marketing	759	-	759
Office and telephone	48	-	48
Production	600	-	600
Rent	1,812	5,400	7,212
Travel	9,671	493	10,164
Wages	15,078	-	15,078
	<hr/> 47,524	<hr/> 8,042	<hr/> 55,566
Net expenses	<hr/> (847)	<hr/> -	<hr/> (847)