



Financial Statements

Quest Art School + Gallery

April 30, 2021

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Independent Auditor's Report

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To the Members of
Quest Art School + Gallery

Qualified opinion

We have audited the financial statements of Quest Art School + Gallery, which comprise the statement of financial position as at April 30, 2021, and the statements of operations 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, except for the effects of the matter described in the Basis for qualified conclusion paragraph, the financial statements present fairly, in all material respects, the financial position of Quest Art School + Gallery as at April 30, 2021 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended April 30, 2021, current assets as at April 30, 2021, and net assets as at May 1, 2020 and April 30, 2021. Our audit opinion on the financial statements for the year ended April 30, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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

Independent Auditor's Report (continued)

Those charged with governance are responsible for overseeing the Organization'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. 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 Organization'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 Organization'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 Organization 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.

Grant Thornton LLP

Midland, Canada
October 5, 2021

Chartered Professional Accountants
Licensed Public Accountants

Quest Art School + Gallery

Statement of Operations and Changes in Net Assets

Year ended April 30	2021	2020
Revenues		
Grant revenue	\$ 121,801	\$ 79,226
Donations, fundraising and sponsorships	68,349	111,400
Canada Emergency Wage Subsidy	23,579	5,495
Education and programming	10,759	41,472
Amortization of deferred capital contributions	4,222	-
Memberships	2,453	7,685
Art shop	270	23,235
Other	203	3,908
HST rebate received	75	13,149
Exhibit revenue	-	5,738
	231,711	291,308
Expenditures		
Wages and benefits	73,945	123,665
Special project expenses	43,108	37,291
Professional fees	21,253	28,147
Office expense	8,560	9,134
Exhibition expenses	8,375	15,661
Education and programming expenses	8,144	21,149
Amortization	4,222	1,951
Insurance	3,957	4,308
Interest, bank charges and merchant fees	3,213	6,005
Telephone and internet	951	1,217
Art shop expenses	808	3,963
Rent	625	31,182
Repairs and maintenance	344	1,381
Advertising and promotion	320	3,506
Consulting fees	200	-
Bad debts	-	6,019
Fundraising expenses	-	3,381
	178,025	297,960
Excess (deficiency) of revenues over expenditures	53,686	(6,652)
(Deficiency) net assets, beginning of year	(171)	6,481
Net Assets (deficiency), end of year	\$ 53,515	\$ (171)

Quest Art School + Gallery

Statement of Financial Position

April 30

2021

2020

Assets

Current

Cash	\$ 138,057	\$ 32,784
Accounts receivable	28,598	31,541
Inventory	1,472	1,925
Prepaid expenses	<u>2,634</u>	<u>1,516</u>
	170,761	67,766

Long-term

Capital assets (Note 4)	<u>26,178</u>	<u>-</u>
	\$ 196,939	\$ 67,766

Liabilities

Current

Accounts payable and accrued liabilities (Note 5)	\$ 19,621	\$ 12,375
Deferred revenue (Note 7)	<u>93,625</u>	<u>23,762</u>
	113,246	36,137

Long-term

Deferred capital contributions (Note 8)	<u>30,178</u>	<u>31,800</u>
	143,424	67,937

Net Assets (deficiency)

	<u>53,515</u>	<u>(171)</u>
	\$ 196,939	\$ 67,766

On behalf of the board

_____ Member

_____ Member

Quest Art School + Gallery

Statement of Cash Flows

Year ended April 30

2021

2020

Increase (decrease) in cash

Operating

Excess (deficiency) of revenues over expenditures	\$ 53,686	\$ (6,652)
Item not affecting cash		
Amortization	<u>4,222</u>	<u>1,951</u>
	57,908	(4,701)
Change in non-cash working capital items		
Accounts receivable	2,943	(25,126)
Inventory	453	340
Prepaid expenses	(1,118)	810
Short-term investment	-	2,036
Accounts payable and accrued liabilities	7,246	(9,274)
Deferred revenue	<u>69,863</u>	<u>(11,143)</u>
	137,295	(47,058)

Financing

Decrease in capital lease	-	(4,125)
Deferred capital contributions	<u>(1,622)</u>	<u>31,800</u>
	(1,622)	27,675

Investing

Purchase of capital assets	(30,400)	-
Proceeds on disposal of capital assets	<u>-</u>	<u>3,728</u>
	(30,400)	3,728

Increase (decrease) in cash **105,273** (15,655)

Cash

Beginning of year	<u>32,784</u>	<u>48,439</u>
End of year	\$ <u>138,057</u>	\$ <u>32,784</u>

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

1. Nature of operations

Quest Art School + Gallery is a not-for-profit organization incorporated without share capital under the laws of Ontario. The Organization is a registered charity under the Income Tax Act and as such is exempt from income tax. The primary purpose of the Organization is to engage and enrich the community through visual arts appreciation, education and exhibition.

2. COVID - 19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Due to lockdowns declared by provincial government in Ontario, the Organization was forced to shut down its operations and suspend its activities. The Organization was able to reduce the impact of the events related to COVID-19 through the application and receipt of funding from the Canada Emergency Wage Subsidy (CEWS). The Organization has worked on optimizing its costs and conduct some events and classes virtually. The focus has been to improve the net cash flows. The Organization stopped paying rent beginning May 2020 and negotiated a reduction in rent effective October 2020. Rent payments are to commence when normal operations resume. The total premises occupied also was reduced.

In addition, during the year, the Organization was successful with a \$150,000 grant application with the Ontario Trillium Foundation. It covers the time period from November 28, 2020 to November 28, 2021.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of the Organization for future periods.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Organization and applied in these financial statements are summarized below.

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

3. Summary of significant accounting policies (continued)

Inventory

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

Art supplies are expensed upon purchase.

Capital assets

Capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization and impairment, if any. Amortization is based on the estimated useful lives at the following rates and method:

Computer equipment	3 years Straight-line
Equipment	5 years Straight-line
Furniture and fixtures	5 years Straight-line

Capital assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts 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 asset exceeds its fair value.

Revenue recognition

Quest Art School + Gallery follows 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.

Membership fees are recognized in the year in which the related expenses are incurred.

Donations, fundraising and sponsorships, art shop and exhibition revenue are recorded when collected.

Gift Shop sales are recognized at the point of sale in the period in which the transaction occurred.

Grant revenue is recognized in the year in which the related expenses are incurred.

Deferred capital contributions

Grants and contributions received for the purchase of capital assets are recognized as revenue in the same manner as the related capital expenditures are amortized.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation.

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

3. Summary of significant accounting policies (continued)

Contributed services

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

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each reporting date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on the assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include the useful lives of capital assets.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. The amounts of any write-downs or reversals are recognized in net income.

Financial instruments include cash, accounts receivable, accounts payable and deferred revenues.

4. Capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 26,919	\$ 26,919	\$ -	\$ -
Computer equipment	<u>44,760</u>	<u>18,582</u>	<u>26,178</u>	<u>-</u>
	<u>\$ 71,679</u>	<u>\$ 45,501</u>	<u>\$ 26,178</u>	<u>\$ -</u>

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$1,405 (2020 - \$Nil) payable with respect to government remittances.

6. Grant Revenue

The Organization entered into an agreement with RBC Foundation for funding in the amount of \$75,000. The agreement is to support Quest Art Incubator Space program for fiscal 2020, 2021 and 2022. An amount of \$25,000 was received in fiscal year 2021, with \$12,500 recognized in the current fiscal year (2020 - \$15,600).

The Organization received funding from the Ontario's Small Business Support Grant in the amount of \$40,000. The full amount of funding has been recognized as revenue in the current fiscal year.

The Organization received funding from the Huronia Community Foundation for The Quest Continues project in the amount of \$1,000. The full amount of funding has been recognized as revenue in the current fiscal year.

The Organization received funding from the Community Foundations of Canada for the Fellowship project in the amount of \$5,000. The full amount of funding has been recognized as revenue in the current fiscal year.

The Organization entered into an agreement with Young Canada Works for funding in the amount of \$26,813. The agreement was to hire students during the summer of fiscal year 2021. The first payment, representing 75% of the total approved contribution of \$20,110, was received in fiscal year 2021, and \$11,779 was recognized as revenue in the current fiscal year.

The Organization entered into an agreement with Young Canada Works for funding in the amount of \$9,345. The agreement was to hire an intern during fiscal year 2021. The first payment, representing 75% of the total approved contribution of \$7,009, was received in fiscal year 2021, and \$8,506 was recognized as revenue in the current fiscal year.

The Organization entered into an agreement with Ontario Trillium Foundation for funding in the amount of \$35,300. The agreement is to support Quest Art in the purchase of laptops and software. An amount of \$2,600 was received in 2021 (2020 - \$31,800), this amount has been spent and \$4,222 has been recognized as revenue in the current fiscal year.

The Organization received funding from the Town of Midland's Community Grant Program for 2020 Intake in the amount of \$7,500. An amount of \$2,579 of funding has been recognized as revenue in the current fiscal year.

The Organization entered into an agreement with Ontario Trillium Foundation for funding in the amount of \$150,000. The agreement is to support Quest Art Resilient Communities project for fiscal 2021 and 2022. An amount of \$37,354 of funding has been recognized as revenue in the current fiscal year.

The Organization entered into an agreement with Employment and Social Development Canada for funding in the amount of \$25,000. The agreement is to support Quest Art New Horizons project for seniors for fiscal 2021 and 2022. An amount of \$2,479 of funding has been recognized as revenue in the current fiscal year.

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

7. Deferred revenue

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 23,762	\$ 34,905
Funds received	<u>159,618</u>	<u>74,868</u>
	183,380	109,773
Less: revenue recognized	(81,425)	(86,011)
Less: grant payable	<u>(8,330)</u>	<u>-</u>
Balance, end of year	<u>\$ 93,625</u>	<u>\$ 23,762</u>

8. Deferred capital contributions

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 31,800	\$ -
Funds received	2,600	31,800
Less: amortization for the year	<u>(4,222)</u>	<u>-</u>
Balance, end of year	<u>\$ 30,178</u>	<u>\$ 31,800</u>

9. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations at April 30, 2021.

(a) Credit risk

Credit risk is the risk of loss to an entity that has extended credit to another party. The Organization is exposed to credit risk from its receivables. In order to reduce its credit risk, management reviews accounts receivable on a regular basis and the financial statements take into account an allowance for doubtful accounts. The Organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable and debt. The Organization's approach to managing liquidity risk is to ensure that it has sufficient cash to meet its obligations when due.

Quest Art School + Gallery

Notes to the Financial Statements

April 30, 2021

10. Allocation of wages

The Organization has allocated wages and benefits to Special project expenses in the amount of \$24,221 (2020 - \$24,861). The allocation is based on the time spent by the employees on this project.
