

Dawson City Arts Society
Financial Statements
For the year ended December 31, 2019
(Unaudited)

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(Unaudited)

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Independent Practitioner's Review Engagement Report

To the Directors of
Dawson City Arts Society

We have reviewed the accompanying financial statements of Dawson City Arts Society that comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes 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 Dawson City Arts Society as at December 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.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia
April 3, 2020

**Dawson City Arts Society
Statement of Financial Position
(Unaudited)**

December 31	2019	2018
Assets		
Current		
Cash	\$ 71,844	\$ 52,708
Short term investments (Note 2)	27,527	51,759
Accounts receivable (Note 3)	121,622	37,440
Inventories (Note 4)	6,527	6,527
Prepaid expenses	-	698
	<u>227,520</u>	<u>149,132</u>
Tangible Capital Assets (Note 5)	<u>1,130,720</u>	<u>1,199,016</u>
	<u>\$ 1,358,240</u>	<u>\$ 1,348,148</u>

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 29,623	\$ 11,294
Deferred revenue & other long-term liabilities (Note 7)	137,720	101,033
Current portion of capital lease (Note 8)	1,848	1,818
	<u>169,191</u>	<u>114,145</u>
Obligations under capital leases (Note 8)	<u>3,172</u>	<u>5,122</u>
	<u>172,363</u>	<u>119,267</u>
Net Assets		
Investment in Tangible Capital Assets	1,125,699	1,192,076
Unrestricted	60,178	36,805
	<u>1,185,877</u>	<u>1,228,881</u>
	<u>\$ 1,358,240</u>	<u>\$ 1,348,148</u>

On behalf of the Board:

 _____ Director



**Dawson City Arts Society
Statement of Changes in Net Assets
(Unaudited)**

For the year ended December 31	Investment in Tangible Capital Assets	Unrestricted	2019 Total	2018 Total
Balance, beginning of the year	\$ 1,192,076	\$ 36,805	\$ 1,228,881	\$ 1,380,250
Excess (deficiency) of revenues over expenses	(147,318)	104,314	(43,004)	(151,369)
Investment in tangible capital assets	79,021	(79,021)	-	-
Loan repayment on capital lease	1,920	(1,920)	-	-
Balance, end of the year	\$ 1,125,699	\$ 60,178	\$ 1,185,877	\$ 1,228,881

The accompanying notes are an integral part of these financial statements.

**Dawson City Arts Society
Statement of Operations
(Unaudited)**

For the year ended December 31	2019	2018
Revenue		
Course tuition and materials	\$ 15,737	\$ 10,509
Donation - general	19,366	19,820
Fundraising	35,618	37,009
Gallery sales	173	348
Interest income	771	474
Membership and registrations	2,472	3,635
Other income	2,244	3,627
Rental	12,679	11,436
Programs	134,132	52,176
Federal grants (Schedule 3)	133,411	82,262
Yukon Government grants (Schedule 3)	477,316	453,593
Municipal grants (Schedule 3)	5,156	3,100
Other grants (Schedule 3)	53,486	4,500
	892,561	682,489
Expenses		
Advertising and promotion	4,742	3,596
Amortization	147,318	137,586
Bank charges	4,384	4,846
Bookkeeping	25,920	25,515
Course materials	1,061	160
Dues and memberships	1,989	1,065
Fundraising	23,423	16,555
Insurance	14,748	14,709
Interest on long-term debt	-	10
Office	9,343	10,332
Other operating	7,943	5,441
Professional fees	8,579	7,173
Property taxes	17,008	16,855
Repairs and maintenance	26,825	36,617
Sales related expenses	200	-
Special programs	506,604	283,015
Travel, training and meetings	13,184	3,250
Utilities	34,265	33,081
Wages and benefits	88,028	234,052
	935,564	833,858
Deficiency of revenues over expenses	\$ (43,003)	\$ (151,369)

The accompanying notes are an integral part of these financial statements.

**Dawson City Arts Society
Statement of Cash Flows
(Unaudited)**

For the year ended December 31	2019	2018
Cash flows from operating activities		
Cash receipts from customers	\$ 844,294	\$ 738,507
Cash paid to suppliers and employees	(769,219)	(698,753)
Interest received	771	474
Interest paid	-	(10)
	<u>75,846</u>	<u>40,218</u>
Cash flows from investing activities		
Net change in short term investments	24,231	(10,474)
Purchase of capital assets	(79,021)	(11,026)
	<u>(54,790)</u>	<u>(21,500)</u>
Cash flows from financing activities		
Repayment of long-term debt	(1,920)	-
Net proceeds from long-term debt	-	6,940
	<u>-</u>	<u>6,940</u>
Net increase in cash	19,136	25,658
Cash, beginning of the year	52,708	27,050
Cash, end of the year	\$ 71,844	\$ 52,708

The accompanying notes are an integral part of these financial statements.

Dawson City Arts Society
Notes to Financial Statements
(Unaudited)

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization

Dawson City Arts Society (the "society") is a non-profit organization incorporated without share capital under the laws of the Yukon Territory. The society has the mandate to enrich the social, cultural and economic wellbeing of Dawson City and the Yukon through the advancement of the arts.

The society is dependent upon the commitment and contribution of community volunteers in all aspects of its operation, including the board of directors and its committees.

The society is a registered charity and, as such, is exempt from income tax under section 149(1)(F) and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

The society records changes in net assets to represent the investment in tangible capital assets, as well as unrestricted assets. These balances are adjusted for amortization and tangible capital asset purchases during the year. Accordingly the unrestricted assets are reduced by the amount of tangible capital asset purchases and increased by the amortization expensed on the statement of operations.

Revenue Recognition

The society follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred, the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue sources such as fundraising, donations, rent and fees are recognized at the time funds are received or services are provided and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods financial instruments are reported as cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Dawson City Arts Society
Notes to Financial Statements
(Unaudited)

December 31, 2019

1. Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Acquisitions made during the year are charged against unrestricted equity and added to the equity investment in plant and equipment. Contributed tangible capital assets have been recorded at their fair value. Amortization is calculated based on the estimated useful life of the asset as follows:

Fixtures and equipment	- 20% diminishing balance basis
Building	- 4% diminishing balance basis
Leasehold improvements	- Over the lease period on a straight line basis
Library	- 20% diminishing balance basis
Collections	- 20% diminishing balance basis
Computer equipment	- 30% diminishing balance basis

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

Inventory Inventory is stated at the lower of cost and net realizable value.

Investments Investments are stated at fair value. Changes in fair value are recorded through the statement of operations.

**Dawson City Arts Society
Notes to Financial Statements
(Unaudited)**

December 31, 2019

1. Significant Accounting Policies (continued)

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

	Method	Rate
Fixtures and equipment	Straight-line	4 years

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

Dawson City Arts Society
Notes to Financial Statements
(Unaudited)

December 31, 2019

2. Short term Investments

The investment consists of 2,753 units (2018 - 5,176) of CIBC Canadian T-Bill Fund Premium Class held with CIBC Securities Inc. with a market value of \$27,527 (2018 - \$51,759) and is shown at cost on the financial statements. It is quoted in an active market and this amount represents the fair value of the investment. These funds earn a 1.41% (2018 - 1.22%) return.

Canada Deposit Insurance Corporation (CDIC) protects eligible deposits at member institutions to a maximum of \$100,000 of eligible deposits at member financial institutions in case of their failure. CIBC Securities Inc. is not a member of the CDIC and so funds are not insured. There has been no change in the risk of this investment from prior years.

3. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Trade	\$ 7,184	\$ 1,748
Grants receivable	112,414	35,000
GST	2,024	692
	<u>\$ 121,622</u>	<u>\$ 37,440</u>

4. Inventory

Inventory consists 7.5 ounces of raw gold and is recorded at the value when it was received of \$6,527. There has been no impairment on the value of the inventory.

Dawson City Arts Society
Notes to Financial Statements
(Unaudited)

December 31, 2019

5. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Fixtures and equipment	\$ 307,983	\$ (231,458)	\$ 250,357	\$ (211,384)
Building	1,272,970	(504,496)	1,253,905	(472,476)
Leasehold improvements	1,648,458	(1,370,251)	1,648,458	(1,277,861)
Library	4,063	(3,946)	4,063	(3,917)
Collections	3,594	(1,551)	3,344	(1,040)
Computer equipment	59,495	(54,141)	57,414	(51,847)
	3,296,563	(2,165,843)	3,217,541	(2,018,525)
	\$ 1,130,720		\$ 1,199,016	

Assets held under capital lease in the amount of \$7,578 (2018 - \$7,578) with related accumulated amortization in the amount of \$3,774 (2018 - \$1,895) are included in Fixtures and Equipment.

6. Accounts Payable and Accrued Liabilities

	2019		2018	
Trade	\$ 19,800		\$ 3,402	
Accrued liabilities	9,823		7,892	
	\$ 29,623		\$ 11,294	

**Dawson City Arts Society
Notes to Financial Statements
(Unaudited)**

December 31, 2019

7. Deferred Contributions

The society records unspent amounts provided by the Government of Canada and the Yukon Government and other income for future events as deferred revenue. At year end the amount of deferred revenue to be carried forward is as follows:

Donations and fundraising totaling \$47,026 (2018 - \$23,299) were deferred as they relate to a fundraising campaign with all proceeds designated for future expenses related to the society's building.

	2019	2018
Heritage Canada: Canada Arts Presentation Fund	\$ 17,983	\$ -
Canada Council: Engage and Sustain: Artistic Catalyst	31,454	51,500
Youth Investment Fund	4,391	2,092
Reprise Scholarship balance	8,022	9,092
Department of Education	10,000	10,000
Film festival fundraising	4,466	-
Dawson City Community Grants	-	1,650
Heritage Canada: Building Communities Through Arts and Heritage	6,500	3,400
2020 campaign - building	47,026	23,299
Yukon Volunteer Society	2,478	-
Youth Crime Prevention	5,400	-
	\$ 137,720	\$ 101,033

**Dawson City Arts Society
Notes to Financial Statements
(Unaudited)**

December 31, 2019

8. Obligations Under Capital Leases

	2019	2018
Obligation under a capital lease for fixtures and equipment, repayable in quarterly payments of \$480 with an applied interest rate of 1.64%. The lease is secured by the equipment and matures on July 29, 2022.	<u>\$ 5,020</u>	<u>\$ 6,940</u>
Current portion	<u>(1,848)</u>	<u>(1,818)</u>
Long term portion of obligations	<u>\$ 3,172</u>	<u>\$ 5,122</u>

Future minimum lease payments under the capital leases for subsequent years are as follows:

2020	1,848
2021	1,878
2022	<u>1,294</u>
	<u>\$ 5,020</u>

9. Economic Dependence

Approximately 53% (2018 - 66%) of the society's funding recorded as revenue is derived from Yukon government grants. Should this funding be substantially curtailed, the ongoing viability of the society would be significantly affected.

The society has incurred expenditures in excess of revenue during the year ended December 31, 2019. The Board is actively seeking additional revenue sources and reviewing expenditures to ensure the society can continue to discharge its liabilities in the normal course of operations.

10. Commitments

The society has entered into a lease with the Yukon Government to rent the old liquor store building until 2023. The lease is payable on the first day of each year and is valued at \$1 per year.

**Dawson City Arts Society
Notes to Financial Statements
(Unaudited)**

December 31, 2019

11. Financial Instrument Risk Management

The society is exposed to risks that arise from its use of financial instruments. This note describes the society's objectives, policies and processes for managing those risks.

There have been no substantive changes in the society's exposure to financial instruments risks or its objectives, policies and processes for managing those risks from previous periods unless otherwise stated in this note.

General Objectives, Policies, and Processes

Principal Financial Instruments

The principal financial instruments used by the society, from which financial instrument risk arises, are as follows:

- short-term investments;
- accounts payable and accrued liabilities;
- inventory; and
- long term debt.

The Board has overall responsibility for the determination of the society's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the society's administration function. The Board receives financial statements through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the society's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The society is exposed to credit risk principally from accounts receivable. A significant portion of the society's accounts receivable is from low risk government entities and so exposure is limited. This risk has not changed from the prior period.

**Dawson City Arts Society
Notes to Financial Statements
(Unaudited)**

December 31, 2019

11. Financial Instrument Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. It is the risk that the counterpart fails to discharge its obligation in this respect of the instrument. The society manages liquidity risk through policy to ensure that they will have sufficient cash to allow it to meet its liabilities when they become due. The society holds temporary investments in CIBC Securities funds. Amounts are transferred to/from the cash account as required to meet its financial obligations. The society expects to have sufficient amounts to meet its obligations under reasonably expected circumstances.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Inventory consists of gold which is subject to market price fluctuations. The society records the inventory at the value when acquired and tests for impairment at yearend. The test for impairment uses 75% of the current market price for gold. Temporary investments receive interest at a floating interest rate. This risk has not changed from the prior period.

12. Subsequent Events

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, including measures implemented by governments and central banks. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the society in future periods.

Dawson City Arts Society
Schedule 1 - Operating Activities
(Unaudited)

For the year ended December 31	2019	2018
Revenue		
Course tuition and materials	\$ 15,737	\$ 10,509
Donation - general	19,366	19,820
Fundraising	35,618	37,009
Gallery sales	173	348
Interest	771	474
Membership and registrations	2,472	3,635
Other income	2,244	3,627
Rental	12,679	11,436
Programs	134,132	52,176
Federal grants	113,411	82,262
Yukon Government grants	477,316	453,593
Municipal grants	5,156	3,100
Other grants	9,141	4,500
	<u>\$ 828,216</u>	<u>\$ 682,489</u>
Expenses		
Advertising and promotion	\$ 4,742	\$ 3,596
Amortization	147,318	137,586
Bank charges	4,384	4,846
Bookkeeping	25,920	25,515
Course materials	1,061	160
Dues and memberships	1,989	1,065
Fundraising	23,423	16,555
Insurance	14,748	14,709
Interest on long-term debt	-	10
Office	9,343	10,332
Other operating	7,943	5,441
Professional fees	8,579	7,173
Property taxes	17,008	16,855
Repairs and maintenance	26,825	36,617
Sales related expenses	200	
Special programs	506,604	283,015
Travel, training and meetings	13,184	3,250
Utilities	34,265	33,081
Wages and benefits	88,029	234,052
	<u>\$ 935,565</u>	<u>\$ 833,858</u>
	<u>\$ (107,349)</u>	<u>\$ (151,369)</u>

**Dawson City Arts Society
Schedule 2 - Capital Activities
(Unaudited)**

<u>For the year ended December 31</u>	<u>2019</u>	<u>2018</u>
Revenue		
Lotteries grant	\$ 44,345	\$ -
EDSC: Enabling Accessibility	20,000	-
	<u>\$ 64,345</u>	<u>\$ -</u>
Expenses		
Building	\$ 19,065	\$ -
Collections	250	200
Furniture and equipment	57,626	-
Computer equipment	2,080	3,278
	<u>\$ 79,021</u>	<u>\$ 3,478</u>
	<u>\$ (14,676)</u>	<u>\$ (3,478)</u>

**Dawson City Arts Society
Schedule 3 - Grant Funding
(Unaudited)**

For the year ended December 31	2019	2018
Federal Grants		
Heritage Canada: Canada Arts Presentation Fund	\$ 12,017	\$ 12,262
Canada Council: Engage and Sustain: Artistic Catalyst	81,004	57,000
Heritage Canada: Building Communities Through Arts and Heritage	16,500	6,500
Canada Summer Jobs	3,890	-
EDSC: Enabling Accessibility	20,000	-
	\$ 133,411	\$ 75,762
Yukon Government grants		
Tourism and Culture	\$ 450,000	\$ 425,000
Department of Education	10,000	10,000
Film commission	3,692	5,080
On Yukon time	10,000	9,275
Youth investment fund	3,624	4,238
	\$ 477,316	\$ 453,593
Municipal grants		
Community grants	5,156	3,100
	\$ 5,156	\$ 3,100
Other grants		
Yukon lotteries and casino	\$ 44,345	\$ -
Volunteer Yukon	7,141	-
CMA Young Canada	-	2,500
CAPACOA	2,000	2,000
	\$ 53,486	\$ 4,500