

THE LONDON POTTERS GUILD

FINANCIAL STATEMENTS

JULY 31, 2019



THE LONDON POTTERS GUILD
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JULY 31, 2019

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Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:
The London Potters Guild

Qualified Opinion

We have audited the accompanying financial statements of The London Potters Guild, which comprise of the statement of financial position as at July 31, 2019, the statements of operations, changes in accumulated net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The London Potters Guild as at July 31, 2019, and its financial performance and its cash flows for the year ended July 31, 2019 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 donations and fundraising activity, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation and fundraising revenues, in the fiscal year ending July 31, 2019 and the fiscal year ending July 31, 2018 was limited to the amounts recorded in the records of the organization. Accordingly, we are unable to determine whether any adjustments for unrecorded amounts might be necessary to revenues, excess of deficiency of revenues over expenditures and net assets.

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 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 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.

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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on Davis Martindale LLP's website. This description forms part of our auditor's report. https://www.davismartindale.com/auditors_report.

London, Ontario
December 4, 2019

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



THE LONDON POTTERS GUILD
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2019

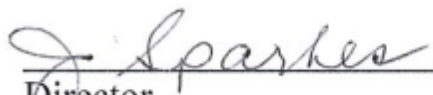
ASSETS

	2019	2018
Current Assets		
Cash	\$ 208,042	\$ 302,860
Accounts receivable	8,457	6,577
Prepaid expenses	<u>1,800</u>	<u>1,212</u>
	218,299	310,649
Tangible Capital Assets (note 3)	<u>1,288,510</u>	<u>1,244,207</u>
	<u><u>\$ 1,506,809</u></u>	<u><u>\$ 1,554,856</u></u>


LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 33,337	\$ 47,679
Government remittances payable	5,024	3,074
Deferred revenue (note 5)	72,657	153,718
Current portion of long-term debt (note 6)	<u>13,929</u>	<u>154,152</u>
	124,947	358,623
Long-Term Liabilities		
Long-term debt (note 6)	140,683	15,713
Deferred contributions related to tangible capital assets (note 7)	<u>886,930</u>	<u>882,451</u>
	1,152,560	1,256,787
Net Assets		
General fund	56,419	61,434
Invested in tangible capital assets (note 8)	266,030	208,435
Building fund	<u>31,800</u>	<u>28,200</u>
	<u>354,249</u>	<u>298,069</u>
	<u><u>\$ 1,506,809</u></u>	<u><u>\$ 1,554,856</u></u>

APPROVED ON BEHALF OF THE BOARD:



 Director



 Director

The attached Independent Auditor's Report and notes form an integral part of these audited financial statements.



THE LONDON POTTERS GUILD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2019

	General Fund	Invested in Tangible Capital Assets	Building Fund	2019 Total	2018 Total
Balance, Beginning of Year	\$ 61,434	\$ 208,435	\$ 28,200	\$ 298,069	\$ 252,018
Excess (Deficit) of Revenues over Expenditures	70,993	(14,813)	-	56,180	46,051
Interfund Transfers (note 9)	<u>(76,008)</u>	<u>72,408</u>	<u>3,600</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>\$ 56,419</u>	<u>\$ 266,030</u>	<u>\$ 31,800</u>	<u>\$ 354,249</u>	<u>\$ 298,069</u>

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THE LONDON POTTERS GUILD
STATEMENT OF REVENUES OVER EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2019

	2019	%	2018 (note 11)	%
Revenues				
Product sales	\$ 209,397	28.53	\$ 183,061	31.10
Class instruction, workshops and programs	188,656	25.69	158,076	26.86
Ontario Trillium Foundation grant	121,334	16.53	41,383	7.03
Grants	67,286	9.16	80,463	13.67
Membership fees	57,945	7.89	50,854	8.64
Amortization of deferred contributions (note 7)	48,655	6.63	39,744	6.75
Ontario Arts Council grant	20,369	2.77	17,280	2.94
Studio space rental	11,034	1.50	11,999	2.04
Interest and miscellaneous	6,796	0.93	3,625	0.62
Fundraising and donations	<u>2,744</u>	<u>0.37</u>	<u>2,070</u>	<u>0.35</u>
	734,216	100.00	588,555	100.00
Expenditures				
Accounting and legal	12,647	1.72	6,810	1.16
Advertising	9,281	1.26	17,548	2.98
Amortization of tangible capital assets	63,468	8.64	57,480	9.77
Commissions	111,026	15.12	96,742	16.44
Consulting fees	1,999	0.27	-	-
Instructor fees	82,640	11.26	61,970	10.53
Insurance	8,879	1.21	8,203	1.39
Interest and bank charges	9,594	1.31	8,826	1.50
Interest on long-term debt	7,473	1.02	6,943	1.18
Janitorial	15,116	2.06	14,964	2.54
Mosaic	22,051	3.00	33,968	5.77
Office and general	30,317	4.13	22,273	3.78
Property tax	8,200	1.12	13,048	2.22
Repairs and maintenance	24,180	3.29	31,137	5.29
Supplies	37,746	5.14	34,740	5.90
Telephone and utilities	29,070	3.96	23,619	4.01
Wages	<u>204,349</u>	<u>27.83</u>	<u>104,233</u>	<u>17.71</u>
	678,036	92.34	542,504	92.17
Excess of Revenues over Expenditures	<u><u>\$ 56,180</u></u>	<u><u>7.66</u></u>	<u><u>\$ 46,051</u></u>	<u><u>7.83</u></u>

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THE LONDON POTTERS GUILD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2019

	2019	2018
Cash Flows from Operating Activities		
Excess of revenues over expenditures	\$ 56,180	\$ 46,051
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	63,468	57,480
Amortization of deferred contributions related to tangible capital assets	<u>(48,655)</u>	<u>(39,744)</u>
	70,993	63,787
Changes in non-cash working capital items		
Accounts receivable	(1,880)	(4,094)
Prepaid expenses	(588)	40
Accounts payable and accrued liabilities	(14,342)	15,697
Government remittances payable	1,950	(2,768)
Deferred revenue	<u>(81,061)</u>	<u>76,324</u>
	<u>(95,921)</u>	<u>85,199</u>
Net Cash Provided by (Used in) Operating Activities	(24,928)	148,986
Cash Flows from Financing Activities		
Decrease in long-term debt	(15,253)	(16,544)
Increase in deferred contributions related to tangible capital assets	<u>53,134</u>	<u>62,222</u>
Net Cash Provided by Financing Activities	37,881	45,678
Cash Flows from Investing Activities		
Purchase of tangible capital assets	<u>(107,771)</u>	<u>(75,816)</u>
Net Increase (Decrease) in Cash	(94,818)	118,848
Cash, Beginning of the Year	<u>302,860</u>	<u>184,012</u>
Cash, End of the Year	<u><u>\$ 208,042</u></u>	<u><u>\$ 302,860</u></u>

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

1. Purpose of the Organization

The London Potters Guild is a not-for-profit organization with the intent to create and foster awareness and appreciation for pottery through community service and educational programs. The London Potters Guild is incorporated without share capital under the laws of the province of Ontario and is a registered charity under the Canadian Income Tax Act.

2. Significant Accounting Policies

a) Basis of Preparation

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and amortization is recorded in the accounts as follows:

Building - 4% - declining balance method;

Kilns - 5 years - straight line method; and

Furniture and Equipment - 20% - declining balance method

c) Impairment of Long-lived Assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

2. Significant Accounting Policies (continued)

d) Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the organization, the accounts are maintained in accordance with the principles of Fund Accounting. Under these principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund.

General Fund

The General Fund of the organization records amounts used for the administrative and operational costs financed by private donations, fundraising events, bequests, memberships, accommodations, and investment revenues.

Invested in Tangible Capital Assets Fund

The Invested in Tangible Capital Assets Fund accounts for monies received or internally designated for specific purposes other than operating programs. These funds will be fully expended for their intended purpose.

Building Fund

The Building Fund represents internally restricted funds for the purpose of covering ongoing building maintenance expenditures.

e) Revenue Recognition

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

Class instruction, workshops and programs, and membership fees are recognized when the services have been provided and collection is reasonably assured.

Interest and rental income is recognized when it is earned

f) Contributed Materials and Services

Volunteers contribute many hours per year to assist the organization in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

2. Significant Accounting Policies (continued)

g) Use of Estimates

The preparation of the financial statements of the organization, in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h) Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, government remittances payable, and long-term debt. The organization initially recognizes these financial instruments at fair value and subsequently at amortized cost.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

3. Tangible Capital Assets

	Cost	Accumulated Amortization	2019 Net	2018 Net
Land	\$ 42,959	\$ -	\$ 42,959	\$ 42,959
Building	1,591,430	412,479	1,178,951	1,119,074
Kilns	36,197	18,660	17,537	19,163
Furniture and equipment	94,098	45,035	49,063	59,111
Capital projects in progress	-	-	-	3,900
	<u>\$ 1,764,684</u>	<u>\$ 476,174</u>	<u>\$ 1,288,510</u>	<u>\$ 1,244,207</u>

The land and building are pledged as collateral for loans as detailed in note 4 and note 6.

4. Credit Facility

The organization has an approved line of credit for which there are no outstanding draws at year end. This credit facility has a limit of \$100,000 and bears interest at bank prime rate plus 5.45%.

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

5. Deferred Revenue

Deferred revenue represents unspent funding received that has not yet been spent. The details of the deferred revenue balance are as follows:

	2019	2018 (note 11)
Ontario Trillium Foundation	\$ 25,470	\$ 102,003
London Arts Council	23,333	23,333
Ontario Arts Council	19,301	20,369
City of London	-	8,013
Deferred memberships	4,553	-
	<u>\$ 72,657</u>	<u>\$ 153,718</u>

6. Long-term Debt

	2019	2018
0% municipal loan, repayable in monthly principal installments of \$302, due March 15, 2020.	\$ 2,116	\$ 5,741
0% municipal loan, repayable in monthly principal installments of \$219, due August 15, 2021.	5,263	7,895
0% municipal loan, repayable in monthly principal installments of \$219, due September 15, 2023.	8,334	10,965
5.50% first mortgage, repayable in weekly blended principal and interest installments of \$267, due December 8, 2023.	<u>138,899</u>	<u>145,264</u>
	154,612	169,865
Less: current portion	<u>(13,929)</u>	<u>(154,152)</u>
	<u>\$ 140,683</u>	<u>\$ 15,713</u>

Land and building with a net book value of \$1,221,910 (2018 - \$1,162,033) has been pledged as security for the first mortgage and the 0% municipal loans.

Three of the municipal loans are forgivable at a maximum rate of 50% of payments made during the year.

The attached Independent Auditor's Report and notes form an integral part of these audited financial statements.



THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

6. Long-term Debt (continued)

The aggregate amount of principal payments required to meet retirement provision are as follows:

Year ending July 31, 2020	\$ 13,929
July 31, 2021	12,056
July 31, 2022	9,807
July 31, 2023	8,018
July 31, 2024	<u>110,802</u>
	<u><u>\$ 154,612</u></u>

7. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets represent restricted contributions used to fund building improvements and purchase new tangible capital assets. These contributions are being amortized into income on the same basis as the related tangible capital assets. The changes in the deferred contributions balance for the year are as follows:

	2019	2018 (note 11)
Balance, beginning of year	\$ 882,451	859,973
Less: amortization of deferred contributions	(48,655)	(39,744)
Add: contributions received for capital purposes	<u>53,134</u>	<u>62,222</u>
Balance, end of year	<u><u>\$ 886,930</u></u>	<u><u>\$ 882,451</u></u>
Balance represented by:		
Unspent contributions	\$ 17,294	\$ 16,544
Unamortized contributions	<u>869,636</u>	<u>865,907</u>
	<u><u>\$ 886,930</u></u>	<u><u>\$ 882,451</u></u>

8. Investment in Tangible Capital Assets

	2019	2018
Cash	\$ 19,062	\$ 16,544
Tangible capital assets (note 3)	<u>1,288,510</u>	<u>1,244,207</u>
	1,307,572	1,260,751
Less amounts financed by:		
Long-term debt (note 6)	(154,612)	(169,865)
Deferred contributions (note 7)	<u>(886,930)</u>	<u>(882,451)</u>
Balance, end of year	<u><u>\$ 266,030</u></u>	<u><u>\$ 208,435</u></u>

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

9. Interfund Transfers

During the year, there were transfers made by the general fund to the capital fund for expenditures in the amount of \$72,408 (2018 - \$33,727) and to the building fund in the amount of \$3,600 (2018 - \$3,600). These interfund transfers include tangible capital asset purchases, repayments of long term debt and internally restricted funds for the purpose of covering ongoing building maintenance expenditures.

10. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at July 31, 2019.

Credit Risk

During the normal course of operations, the organization is exposed to credit risk in the event of non-performance by customers in connection with its accounts receivable. The organization mitigates this risk by monitoring customer accounts on a continual basis and by dealing with what management believes to be financially sound customers. Management does not anticipate significant loss for non-performance.

Interest Rate Risk

The organization's bank loan has a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The organization does not use derivative financial instruments to alter the effects of this risk.

11. Comparative Figures

Certain of the prior years figures have been reclassified to conform to the financial statement presentation adopted in the current year.

The attached Independent Auditor's Report and notes form an integral part of these audited financial statements.

