

**THE LONDON POTTERS GUILD**

**FINANCIAL STATEMENTS**

**JULY 31, 2020**



**THE LONDON POTTERS GUILD**  
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**JULY 31, 2020**

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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, 2020, 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, 2020, and its financial performance and its cash flows for the year ended July 31, 2020 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, 2020 and the fiscal year ending July 31, 2019 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](https://www.davismartindale.com/auditors_report).

London, Ontario  
December 1, 2020

*Davis Martindale LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**THE LONDON POTTERS GUILD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JULY 31, 2020**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash	\$ 226,907	\$ 208,042
Accounts receivable	14,060	8,457
Prepaid expenses	<u>3,338</u>	<u>1,800</u>
	244,305	218,299
<b>Tangible Capital Assets (note 3)</b>	<u>1,226,696</u>	<u>1,288,510</u>
	<u><u>\$ 1,471,001</u></u>	<u><u>\$ 1,506,809</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 32,761	\$ 33,337
Government remittances payable	4,571	5,024
Deferred revenue (note 5)	65,345	72,657
Current portion of long-term debt (note 6)	<u>13,682</u>	<u>13,929</u>
	116,359	124,947
<b>Long-Term Liabilities</b>		
Long-term debt (note 6)	171,079	140,683
Deferred contributions related to tangible capital assets (note 7)	<u>836,800</u>	<u>886,930</u>
	1,124,238	1,152,560
<b>Net Assets</b>		
General fund	48,049	56,419
Invested in tangible capital assets (note 8)	263,314	266,030
Building fund	<u>35,400</u>	<u>31,800</u>
	<u>346,763</u>	<u>354,249</u>
	<u><u>\$ 1,471,001</u></u>	<u><u>\$ 1,506,809</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, 2020**

	<b>General Fund</b>	<b>Invested in Tangible Capital Assets</b>	<b>Building Fund</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b>Balance, Beginning of Year</b>	\$ 56,419	\$ 266,030	\$ 31,800	\$ 354,249	\$ 298,069
Excess (Deficiency) of Revenues over Expenditures	4,198	(11,684)	-	(7,486)	56,180
Interfund Transfers (note 9)	<u>(12,568)</u>	<u>8,968</u>	<u>3,600</u>	<u>-</u>	<u>-</u>
<b>Balance, End of Year</b>	<b><u>\$ 48,049</u></b>	<b><u>\$ 263,314</u></b>	<b><u>\$ 35,400</u></b>	<b><u>\$ 346,763</u></b>	<b><u>\$ 354,249</u></b>

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**THE LONDON POTTERS GUILD**  
**STATEMENT OF REVENUES OVER EXPENDITURES**  
**FOR THE YEAR ENDED JULY 31, 2020**

	2020	%	2019	%
<b>Revenues</b>				
Product sales	\$ 119,649	25.97	\$ 209,397	28.53
Class instruction, workshops and programs	101,962	22.13	188,656	25.69
Ontario Trillium Foundation grant	36,070	7.83	121,334	16.53
Grants	44,258	9.61	67,286	9.16
Membership fees	54,254	11.78	57,945	7.89
Amortization of deferred contributions (note 7)	50,130	10.88	48,655	6.63
Ontario Arts Council grant	19,301	4.19	20,369	2.77
Studio space rental	9,347	2.03	11,034	1.50
Interest and miscellaneous	3,896	0.85	6,796	0.93
Fundraising and donations	<u>21,776</u>	<u>4.73</u>	<u>2,744</u>	<u>0.37</u>
	460,643	100.00	734,216	100.00
<b>Expenditures</b>				
Accounting and legal	10,952	2.38	12,647	1.72
Advertising	9,128	1.98	9,281	1.26
Amortization of tangible capital assets	61,814	13.42	63,468	8.64
Commissions	59,355	12.89	111,026	15.12
Consulting fees	6,595	1.43	1,999	0.27
Instructor fees	43,584	9.46	82,640	11.26
Insurance	9,884	2.15	8,879	1.21
Interest and bank charges	7,536	1.64	9,594	1.31
Interest on long-term debt	7,508	1.63	7,473	1.02
Janitorial	6,298	1.37	15,116	2.06
Mosaic	11	-	22,051	3.00
Office and general	17,021	3.70	30,317	4.13
Property tax	8,679	1.88	8,200	1.12
Repairs and maintenance	12,361	2.68	24,180	3.29
Supplies	27,700	6.01	37,746	5.14
Telephone and utilities	24,083	5.23	29,070	3.96
Wages (note 10)	<u>155,620</u>	<u>33.78</u>	<u>204,349</u>	<u>27.83</u>
	468,129	101.63	678,036	92.34
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ (7,486)</u>	<u>(1.63)</u>	<u>\$ 56,180</u>	<u>7.66</u>

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# THE LONDON POTTERS GUILD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2020

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Excess (deficiency) of revenues over expenditures	\$ (7,486)	\$ 56,180
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	61,814	63,468
Amortization of deferred contributions related to tangible capital assets	<u>(50,130)</u>	<u>(48,655)</u>
	4,198	70,993
Changes in non-cash working capital items		
Accounts receivable	(5,603)	(1,880)
Prepaid expenses	(1,538)	(588)
Accounts payable and accrued liabilities	(576)	(14,342)
Government remittances payable	(453)	1,950
Deferred revenue	<u>(7,312)</u>	<u>(81,061)</u>
	<u>(15,482)</u>	<u>(95,921)</u>
<b>Net Cash Used in Operating Activities</b>	(11,284)	(24,928)
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in long-term debt	30,149	(15,253)
Increase in deferred contributions related to tangible capital assets	<u>-</u>	<u>53,134</u>
<b>Net Cash Provided by Financing Activities</b>	30,149	37,881
<b>Cash Flows from Investing Activities</b>		
Purchase of tangible capital assets	<u>-</u>	<u>(107,771)</u>
<b>Net Increase (Decrease) in Cash</b>	18,865	(94,818)
<b>Cash, Beginning of the Year</b>	<u>208,042</u>	<u>302,860</u>
<b>Cash, End of the Year</b>	<u><u>\$ 226,907</u></u>	<u><u>\$ 208,042</u></u>

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**THE LONDON POTTERS GUILD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2020**

**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, 2020**

**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, 2020**

**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**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2020 Net</b>	<b>2019 Net</b>
Land	\$ 42,959	\$ -	\$ 42,959	\$ 42,959
Building	1,591,430	459,637	1,131,793	1,178,951
Kilns	36,197	23,503	12,694	17,537
Furniture and equipment	94,098	54,848	39,250	49,063
	<u>\$ 1,764,684</u>	<u>\$ 537,988</u>	<u>\$ 1,226,696</u>	<u>\$ 1,288,510</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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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2020**

**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:

	<b>2020</b>	<b>2019</b>
Ontario Trillium Foundation	\$ 19,130	\$ 25,470
London Arts Council	23,333	23,333
Ontario Arts Council	19,301	19,301
Deferred memberships	<u>3,581</u>	<u>4,553</u>
	<u><u>\$ 65,345</u></u>	<u><u>\$ 72,657</u></u>

**6. Long-term Debt**

	<b>2020</b>	<b>2019</b>
0% municipal loan, repayable in monthly principal installments of \$302, due March 15, 2020.	\$ -	\$ 2,116
0% municipal loan, repayable in monthly principal installments of \$219, due August 15, 2021.	3,509	5,263
0% municipal loan, repayable in monthly principal installments of \$219, due September 15, 2023.	6,580	8,334
5.50% first mortgage, repayable in weekly blended principal and interest installments of \$267, due December 8, 2023.	134,672	138,899
0% Canada Emergency Business Account loan, due December 31, 2022.	<u>40,000</u>	<u>-</u>
	184,761	154,612
Less: current portion	<u>(13,682)</u>	<u>(13,929)</u>
	<u><u>\$ 171,079</u></u>	<u><u>\$ 140,683</u></u>

Land and building with a net book value of \$1,174,752 (2019 - \$1,221,910) has been pledged as security for the first mortgage and the 0% municipal loans.

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

25% of the Canada Emergency Business Account loan is forgivable if repaid by December 31, 2022.

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**THE LONDON POTTERS GUILD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2020**

**6. Long-term Debt (continued)**

The total long-term debt related to investment in tangible capital assets is \$144,761 (2019 - \$154,612).

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

Year ending July 31, 2021	\$ 13,682
July 31, 2022	9,672
July 31, 2023	47,876
July 31, 2024	<u>113,531</u>
	<u><u>\$ 184,761</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:

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 886,930	882,451
Less: amortization of deferred contributions	(50,130)	(48,655)
Add: contributions received for capital purposes	<u>-</u>	<u>53,134</u>
Balance, end of year	<u><u>\$ 836,800</u></u>	<u><u>\$ 886,930</u></u>
Balance represented by:		
Unspent contributions	\$ 18,179	\$ 18,179
Unamortized contributions	<u>818,621</u>	<u>868,751</u>
	<u><u>\$ 836,800</u></u>	<u><u>\$ 886,930</u></u>

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**THE LONDON POTTERS GUILD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2020**

**8. Investment in Tangible Capital Assets**

	<b>2020</b>	<b>2019</b>
Cash	\$ 18,179	\$ 19,062
Tangible capital assets (note 3)	<u>1,226,696</u>	<u>1,288,510</u>
	1,244,875	1,307,572
Less amounts financed by:		
Long-term debt (note 6)	(144,761)	(154,612)
Deferred contributions (note 7)	<u>(836,800)</u>	<u>(886,930)</u>
Balance, end of year	<u><u>\$ 263,314</u></u>	<u><u>\$ 266,030</u></u>

**9. Interfund Transfers**

During the year, there were transfers made by the general fund to the capital fund for expenditures in the amount of \$8,968 (2019 - \$72,408) and to the building fund in the amount of \$3,600 (2019 - \$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. Government Assistance**

The company qualified to receive Canadian Emergency Wage Subsidy in the current year, and claimed \$56,447 (2019 - \$NIL). The subsidy was recorded as a reduction in wages expense.

**11. 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, 2020.

**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.

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**THE LONDON POTTERS GUILD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2020**

**12. COVID-19**

As at the year end, the COVID-19 pandemic has spread across London and is impacting local economic activity. This global pandemic poses the risk that the organization or its clients, employees, sales partners and suppliers may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the organization's business, the continued spread of COVID-19 across Canada and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the organization's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the organization's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

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