

LONDON POTTERS GUILD

FINANCIAL STATEMENTS

JULY 31, 2022



LONDON POTTERS GUILD
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JULY 31, 2022

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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, 2022, the statements of revenues over expenditures, 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 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, 2022, and its financial performance and its cash flows for the year ended July 31, 2022 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, 2022 and the fiscal year ending July 31, 2021 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 qualified 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 qualified 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 8, 2022

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



LONDON POTTERS GUILD
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2022

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 325,103	\$ 310,357
Accounts receivable	18,186	18,647
Prepaid expenses	2,390	5,678
Government assistance receivable	<u>-</u>	<u>11,368</u>
	345,679	346,050
Tangible Capital Assets (note 3)	<u>1,147,665</u>	<u>1,168,730</u>
	<u>\$ 1,493,344</u>	<u>\$ 1,514,780</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,528	\$ 42,752
Government remittances payable	7,480	3,883
Deferred revenue (note 5)	168,942	104,468
Current portion of long-term debt (note 6)	<u>17,086</u>	<u>16,690</u>
	244,036	167,793
Long-Term Liabilities		
Long-term debt (note 6)	113,762	181,303
Deferred contributions related to tangible capital assets (note 7)	<u>774,361</u>	<u>790,849</u>
	1,132,159	1,139,945
Net Assets		
General fund	63,050	79,268
Invested in tangible capital assets (note 8)	260,635	258,067
Building fund	<u>37,500</u>	<u>37,500</u>
	<u>361,185</u>	<u>374,835</u>
	<u>\$ 1,493,344</u>	<u>\$ 1,514,780</u>

APPROVED ON BEHALF OF THE BOARD:

Ka R Berly
 Director

T. Durkin
 Director

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



LONDON POTTERS GUILD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2022

	General Fund	Invested in Tangible Capital Assets	Building Fund	2022 Total	2021 Total
Balance, Beginning of Year	\$ 79,268	\$ 258,067	\$ 37,500	\$ 374,835	\$ 346,763
Excess (Deficiency) of Revenues over Expenditures	(630)	(13,020)	-	(13,650)	28,072
Interfund Transfers (note 9)	<u>(15,588)</u>	<u>15,588</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u><u>\$ 63,050</u></u>	<u><u>\$ 260,635</u></u>	<u><u>\$ 37,500</u></u>	<u><u>\$ 361,185</u></u>	<u><u>\$ 374,835</u></u>

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integral part of these audited financial statements.*



LONDON POTTERS GUILD

STATEMENT OF REVENUES OVER EXPENDITURES

FOR THE YEAR ENDED JULY 31, 2022

	2022	%	2021	%
Revenues				
Class instruction, workshops and programs	\$ 152,427	\$ 21.73	\$ 70,566	\$ 16.16
Product sales	146,596	20.90	108,789	24.91
Grants	131,316	18.73	115,067	26.34
Exhibition and public art	60,776	8.67	-	-
Ontario Trillium Foundation grant	59,186	8.44	-	-
Membership fees	44,859	6.40	50,246	11.51
Amortization of deferred contributions (note 7)	42,789	6.10	45,951	10.52
Fundraising and donations	30,141	4.30	14,613	3.35
Ontario Arts Council grant	19,301	2.75	19,301	4.42
Studio space rental	9,525	1.36	10,419	2.39
Interest and miscellaneous	<u>4,366</u>	<u>0.62</u>	<u>1,753</u>	<u>0.40</u>
	701,282	100.00	436,705	100.00
Expenditures				
Accounting and legal	26,983	3.85	19,115	4.38
Advertising	8,908	1.27	9,607	2.20
Amortization of tangible capital assets	55,809	7.96	57,966	13.27
Commissions	75,286	10.74	49,722	11.39
Consulting fees	34,032	4.85	21,223	4.86
Exhibitions and public art	18,941	2.70	-	-
Fundraising	80	0.01	50	0.01
Instructor fees	71,354	10.17	33,374	7.64
Insurance	11,894	1.70	7,721	1.77
Interest and bank charges	8,689	1.24	5,643	1.29
Interest on long-term debt	6,338	0.90	7,106	1.63
Janitorial	241	0.03	-	-
Mosaic	27,198	3.88	455	0.10
Office and general	17,772	2.53	17,006	3.89
Property tax	8,026	1.14	8,160	1.87
Repairs and maintenance	14,046	2.00	12,939	2.96
Supplies	34,208	4.88	28,303	6.48
Telephone and utilities	23,867	3.40	20,103	4.60
Wages	<u>303,421</u>	<u>43.27</u>	<u>261,206</u>	<u>59.81</u>
	747,093	106.52	559,699	128.15
Deficiency of Operating Revenues over Expenditures	(45,811)	(6.52)	(122,994)	(28.15)
Other Income				
Government subsidy (note 10)	12,161	1.73	151,066	34.59
Loan forgiveness	<u>20,000</u>	<u>2.85</u>	<u>-</u>	<u>-</u>
	32,161	4.58	151,066	34.59
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (13,650)</u>	<u>(1.94)</u>	<u>\$ 28,072</u>	<u>6.44</u>

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



LONDON POTTERS GUILD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2022

	2022	2021
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenditures	\$ (13,650)	\$ 28,072
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	55,809	57,966
Amortization of deferred contributions related to tangible capital assets	<u>(42,789)</u>	<u>(45,951)</u>
	(630)	40,087
Changes in non-cash working capital items		
Accounts receivable	461	(15,823)
Government assistance	11,368	(133)
Prepaid expenses	3,288	(2,340)
Accounts payable and accrued liabilities	7,776	9,991
Government remittances payable	3,597	(689)
Deferred revenue	<u>64,474</u>	<u>39,123</u>
	<u>90,964</u>	<u>30,129</u>
Net Cash Provided by Operating Activities	90,334	70,216
Cash Flows from Financing Activities		
Increase (decrease) in long-term debt	(67,145)	13,234
Increase in deferred contributions related to tangible capital assets	<u>26,301</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	(40,844)	13,234
Cash Flows from Investing Activities		
Purchase of tangible capital assets	<u>(34,744)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	14,746	83,450
Cash and Cash Equivalents, Beginning of the Year	<u>310,357</u>	<u>226,907</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 325,103</u></u>	<u><u>\$ 310,357</u></u>
Represented by:		
Cash	\$ 187,692	\$ 173,807
Term Deposit	<u>137,411</u>	<u>136,550</u>
	<u><u>\$ 325,103</u></u>	<u><u>\$ 310,357</u></u>

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



LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

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

Assets under construction were not available for use during the year and therefore have not been amortized.

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.

d) Cash and Cash Equivalents

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

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



LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

2. Significant Accounting Policies (continued)

e) 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.

f) 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.

Fundraising and donations are recognized when received or at the time of the fundraising event.

Product sales are recognized when the goods have been transferred and collection is reasonably assured.

Grant and Government subsidy revenue is recognized when the related expenditures are incurred, performance criteria are met, and a reasonable estimate of the amount can be made.

Interest and rental income is recognized when it is earned

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



LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

2. Significant Accounting Policies (continued)

g) Contributed Materials and Services

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

h) 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.

i) Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, government assistance 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.

3. Tangible Capital Assets

	Cost	Accumulated Amortization	2022 Net	2021 Net
Land	\$ 42,959	\$ -	\$ 42,959	\$ 42,959
Building	1,591,430	548,370	1,043,060	1,086,521
Kilns	42,822	33,853	8,969	7,850
Furniture and equipment	99,717	69,540	30,177	31,400
Assets under construction	22,500	-	22,500	-
	<u>\$ 1,799,428</u>	<u>\$ 651,763</u>	<u>\$ 1,147,665</u>	<u>\$ 1,168,730</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 1.5%.

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LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

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:

	2022	2021
London Arts Council	\$ 75,000	\$ 73,750
Ontario Trillium Foundation	68,813	-
Ontario Arts Council	16,406	-
Other	3,717	27,547
Deferred memberships	3,170	3,171
Summer Experience Program	1,836	-
	\$ 168,942	\$ 104,468

6. Long-term Debt

	2022	2021
0% municipal loan, repayable in monthly principal installments of \$219, due August 2022.	\$ 3,509	\$ 3,509
0% municipal loan, repayable in monthly principal installments of \$219, due September 2022.	6,580	6,580
0% Canada Emergency Business Account loan, repaid June 2022.	-	60,000
5.50% first mortgage, repayable in weekly blended principal and interest installments of \$267, due December 2023.	120,759	127,904
	130,848	197,993
Less: current portion	(17,086)	(16,690)
	\$ 113,762	\$ 181,303

Land and building with a net book value of \$1,086,019 (2021 - \$1,129,480) has been pledged as security for the first mortgage and the 0% municipal loans.

One of the municipal loans are forgivable at a maximum rate of 50% of payments made during the year. Payments were deferred for the current and prior year.

The total long-term debt related to investment in tangible capital assets is \$130,848 (2021 - \$137,993).

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



LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

6. Long-term Debt (continued)

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

Year ending July 31, 2023	\$ 17,086
July 31, 2024	<u>113,762</u>
	<u>\$ 130,848</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:

	2022	2021
Balance, beginning of year	\$ 790,849	836,800
Less: amortization of deferred contributions	(42,789)	(45,951)
Add: contributions received for capital purposes	<u>26,301</u>	<u>-</u>
Balance, end of year	<u>\$ 774,361</u>	<u>\$ 790,849</u>
Balance represented by:		
Unspent contributions	\$ 18,179	\$ 18,179
Unamortized contributions	<u>756,182</u>	<u>772,670</u>
	<u>\$ 774,361</u>	<u>\$ 790,849</u>

8. Investment in Tangible Capital Assets

	2022	2021
Cash	\$ 18,179	\$ 18,179
Tangible capital assets (note 3)	<u>1,147,665</u>	<u>1,168,730</u>
	1,165,844	1,186,909
Less amounts financed by:		
Long-term debt (note 6)	(130,848)	(137,993)
Deferred contributions (note 7)	<u>(774,361)</u>	<u>(790,849)</u>
Balance, end of year	<u>\$ 260,635</u>	<u>\$ 258,067</u>

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LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

9. Interfund Transfers

During the year, there were transfers made by the general fund to the capital fund for expenditures in the amount of \$15,588 (2021 - \$6,768) and to the building fund in the amount of \$NIL (2021 - \$2,100). 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 organization qualified to receive Canadian Emergency Wage Subsidy in the current year, and claimed \$10,436 (2021 - \$135,326). The organization applied for the Canada Emergency Rent Subsidy in the current year, and claimed \$1,725 (2021 - \$15,740). The amounts are based on management calculations, and therefore are subject to conditions disclosed in note 2(h) above. The subsidies claimed may be subject to an adjustment by the Canada Revenue Agency upon their review. Any such adjustments will be reflected in the period that they become known.

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, 2022.

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.

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

