CLAYWORX: CERAMICS ARTS LEARNING CENTRE

FINANCIAL STATEMENTS

JULY 31, 2024

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

INDEX TO AUDITED FINANCIAL STATEMENTS

JULY 31, 2024

	Page
Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Revenues over Expenditures	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13

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Davis Martindale LLP
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:
Clayworx: Ceramic Arts Learning Centre

Qualified Opinion

We have audited the accompanying financial statements of Clayworx: Ceramic Arts Learning Centre, which comprise of the statement of financial position as at July 31, 2024, the statements of revenues over expenditures, reserve fund operations and fund balance 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 Clayworx: Ceramic Arts Learning Centre as at July 31, 2024, and its financial performance and its cash flows for the year ended July 31, 2024 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, 2024 and the fiscal year ending July 31, 2023 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 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 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 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.

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. In carrying out an 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.

- 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.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- From the matters communicated with those charged with governance, determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Davis Martindale LLP

London, Ontario
January 3, 2025

Chartered Professional Accountants
Licensed Public Accountants

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2024

ASSETS

	2024	2023
Current Assets		
Cash and cash equivalents	$ 149,130	$ 216,811
Accounts receivable	30,653	34,710
Prepaid expenses	3,174	2,672
	182,957	254,193
Tangible Capital Assets (note 3)	1,119,683	1,163,879
	$ 1,302,640	$ 1,418,072

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	$ 39,968	$ 58,327
Government remittances payable	5,545	10,072
Deferred revenue (note 5)	85,844	93,286
Current portion of long-term debt (note 6)	7,569	117,823
	138,926	279,508
Long-Term Liabilities		
Long-term debt (note 6)	105,195	2,411
Deferred contributions related to tangible capital assets (note 7)	761,920	797,882
	1,006,041	1,079,801
Net Assets		
General fund	(4,079)	36,829
Invested in tangible capital assets (note 8)	263,178	263,942
Building fund	37,500	37,500
	296,599	338,271
	$ 1,302,640	$ 1,418,072

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.

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2024

	General Fund	Invested in Tangible Capital Assets	Building Fund	2024 Total	2023 Total
Balance, Beginning of Year	$ 36,829	$ 263,942	$ 37,500	$ 338,271	$ 361,185
Deficiency of Revenues over Expenditures	(26,135)	(15,537)	-	(41,672)	(22,914)
Interfund Transfers (note 9)	(14,773)	14,773	-	-	-
Balance, End of Year	$ (4,079)	$ 263,178	$ 37,500	$ 296,599	$ 338,271

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CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF REVENUES OVER EXPENDITURES

FOR THE YEAR ENDED JULY 31, 2024

	2024	%	2023	%
Revenues				
Class instruction, workshops and programs	$ 227,797	34.84	$ 199,037	27.68
Product sales	151,198	23.12	148,782	20.69
Grants	92,886	14.20	156,320	21.73
Membership fees	69,860	10.68	59,202	8.23
Amortization of deferred contributions (note 7)	42,962	6.57	43,441	6.04
Ontario Arts Council grant	17,371	2.66	32,801	4.56
Exhibition and public art	24,353	3.72	48,393	6.73
Ontario Trillium Foundation grant	11,200	1.71	13,352	1.86
Studio space rental	7,389	1.13	8,108	1.13
Fundraising and donations	6,745	1.03	5,116	0.71
Interest and miscellaneous	2,162	0.34	4,553	0.64
	653,923	100.00	719,105	100.00
Expenditures				
Accounting and legal	25,038	3.83	22,565	3.14
Advertising	8,456	1.29	7,566	1.05
Amortization of tangible capital assets	58,499	8.95	57,528	8.00
Commissions	71,827	10.98	70,096	9.75
Consulting fees	6,232	0.95	47,950	6.67
Exhibitions and public art	-	-	375	0.05
Instructor fees	96,630	14.78	96,176	13.37
Insurance	16,272	2.49	12,451	1.73
Interest and bank charges	2,269	0.35	4,936	0.69
Interest on long-term debt	7,346	1.12	5,720	0.80
Janitorial	231	0.04	-	-
Mosaic	7,107	1.09	12,897	1.79
Office and general	20,158	3.08	19,043	2.65
Property tax	9,188	1.41	8,181	1.14
Repairs and maintenance	24,087	3.68	16,974	2.36
Supplies	36,325	5.55	57,851	8.04
Telephone and utilities	29,463	4.51	26,851	3.73
Wages	276,467	42.28	274,859	38.22
	695,595	106.38	742,019	103.18
Deficiency of Revenues over Expenditures	$ (41,672)	(6.38)	$ (22,914)	(3.18)

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

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2024

	2024	2023
Cash Flows from Operating Activities		
Deficiency of revenues over expenditures	$ (41,672)	$ (22,914)
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	58,499	57,528
Amortization of deferred contributions related to tangible capital assets	(42,962)	(43,441)
	(26,135)	(8,827)
Changes in non-cash working capital items		
Accounts receivable	4,057	(16,524)
Prepaid expenses	(502)	(282)
Accounts payable and accrued liabilities	(18,359)	7,799
Government remittances payable	(4,527)	2,592
Deferred revenue	(7,442)	(75,658)
	(26,773)	(82,073)
Net Cash Used in Operating Activities	(52,908)	(90,900)
Cash Flows from Financing Activities		
Decrease in long-term debt	(7,471)	(10,612)
Increase in deferred contributions related to tangible capital assets	7,000	66,962
Net Cash Provided by (Used in) Financing Activities	(471)	56,350
Cash Flows from Investing Activities		
Purchase of tangible capital assets	(14,302)	(73,742)
Net Decrease in Cash and Cash Equivalents	(67,681)	(108,292)
Cash and Cash Equivalents, Beginning of the Year	216,811	325,103
Cash and Cash Equivalents, End of the Year	$ 149,130	$ 216,811

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

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2024

1. Purpose of the Organization

Clayworx: Ceramic Arts Learning Centre is a not-for-profit organization with the intent to create and foster awareness and appreciation for pottery through community service and educational programs. Clayworx: Ceramic Arts Learning Centre 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; and

Kilns - 5 years - straight line method; and

Furniture and Equipment - 20% - declining balance method; and

Computers - 30% - 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.

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.

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.

2. Significant Accounting Policies (continued)

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, membership fees and exhibitions and public art 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.

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.

2. Significant Accounting Policies (continued)

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 and cash equivalents, accounts receivable, accounts payable and accrued liabilities, 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	2024 Net	2023 Net
Land	$ 42,959	$ -	$ 42,959	$ 42,959
Building	1,641,930	633,135	1,008,795	1,050,828
Kilns	56,432	42,226	14,206	11,032
Furniture and equipment	143,214	91,238	51,976	56,564
Computers	2,937	1,190	1,747	2,496
	$ 1,887,472	$ 767,789	$ 1,119,683	$ 1,163,879

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%.

5. Deferred Revenue

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

	2024	2023
London Arts Council	$ 48,750	$ 48,750
Deferred class instrutions, workshops and programs	22,717	34,785
Other	7,974	4,771
Deferred memberships	6,403	4,980
	$ 85,844	$ 93,286

6. Long-term Debt

	2024	2023
0% municipal loan, repayable in monthly principal installments of $219, due May 2027.	$ 1,974	$ 1,974
0% municipal loan, repayable in monthly principal installments of $219, due July 2028.	5,045	5,045
7.65% first mortgage, repayable in weekly blended principal and interest installments of $295, due December 2028.	105,745	113,215
	112,764	120,234
Less: current portion	(7,569)	(117,823)
	$ 105,195	$ 2,411

Land and building with a net book value of $1,051,754 (2023 - $1,093,787) has been pledged as security for the first mortgage and the 0% municipal loans.

One of the municipal loans is forgivable at a maximum rate of 50% of payments made during the year. Payments were deferred until September 2026.

The total long-term debt related to investment in tangible capital assets is $112,764 (2023 - $120,234).

6. Long-term Debt (continued)

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

Year ending July 31, 2025	$ 7,569
July 31, 2026	8,331
July 31, 2027	10,802
July 31, 2028	14,570
Thereafter	71,492
	$ 112,764

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:

	2024	2023
Balance, beginning of year	$ 797,882	774,361
Less: amortization of deferred contributions	(42,962)	(43,441)
Add: contributions received for capital purposes	7,000	66,962
Balance, end of year	$ 761,920	$ 797,882
Balance represented by:		
Unspent contributions	$ 18,179	$ 18,179
Unamortized contributions	743,741	779,703
	$ 761,920	$ 797,882

8. Investment in Tangible Capital Assets

	2024	2023
Cash	$ 18,179	$ 18,179
Tangible capital assets (note 3)	1,119,683	1,163,879
	1,137,862	1,182,058
Less amounts financed by:		
Long-term debt (note 6)	(112,764)	(120,234)
Deferred contributions (note 7)	(761,920)	(797,882)
Balance, end of year	$ 263,178	$ 263,942

9. Interfund Transfers

During the year, there were transfers made by the general fund to the invested in tangible capital assets fund for expenditures in the amount of $14,773 (2023 - $17,394). These interfund transfers include tangible capital asset purchases and, repayments of long term debt.

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, 2024.

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.