

CLAYWORX: CERAMICS ARTS LEARNING CENTRE

FINANCIAL STATEMENTS

JULY 31, 2023



CLAYWORX: CERAMICS ARTS LEARNING CENTRE

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JULY 31, 2023

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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, 2023, 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 Clayworx: Ceramic Arts Learning Centre as at July 31, 2023, and its financial performance and its cash flows for the year ended July 31, 2023 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, 2023 and the fiscal year ending July 31, 2022 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 14, 2023

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2023

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 216,811	\$ 325,103
Accounts receivable	34,710	18,186
Prepaid expenses	<u>2,672</u>	<u>2,390</u>
	254,193	345,679
Tangible Capital Assets (note 3)	<u>1,163,879</u>	<u>1,147,665</u>
	<u><u>\$ 1,418,072</u></u>	<u><u>\$ 1,493,344</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 58,327	\$ 50,528
Government remittances payable	10,072	7,480
Deferred revenue (note 5)	93,286	168,942
Current portion of long-term debt (note 6)	<u>117,823</u>	<u>17,086</u>
	279,508	244,036
Long-Term Liabilities		
Long-term debt (note 6)	2,411	113,762
Deferred contributions related to tangible capital assets (note 7)	<u>797,882</u>	<u>774,361</u>
	1,079,801	1,132,159
Net Assets		
General fund	36,829	63,050
Invested in tangible capital assets (note 8)	263,942	260,635
Building fund	<u>37,500</u>	<u>37,500</u>
	338,271	361,185
	<u><u>\$ 1,418,072</u></u>	<u><u>\$ 1,493,344</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.



CLAYWORX: CERAMICS ARTS LEARNING CENTRE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2023

	General Fund	Invested in Tangible Capital Assets	Building Fund	2023 Total	2022 Total
Balance, Beginning of Year	\$ 63,050	\$ 260,635	\$ 37,500	\$ 361,185	\$ 374,835
Deficiency of Revenues over Expenditures	(8,827)	(14,087)	-	(22,914)	(13,650)
Interfund Transfers (note 9)	<u>(17,394)</u>	<u>17,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>\$ 36,829</u>	<u>\$ 263,942</u>	<u>\$ 37,500</u>	<u>\$ 338,271</u>	<u>\$ 361,185</u>

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



CLAYWORX: CERAMICS ARTS LEARNING CENTRE
STATEMENT OF REVENUES OVER EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2023

	2023	%	2022	%
Revenues				
Class instruction, workshops and programs	\$ 199,037	\$ 27.68	\$ 152,427	\$ 21.74
Grants	156,320	21.74	131,316	18.72
Product sales	148,782	20.69	146,596	20.90
Membership fees	59,202	8.23	44,859	6.40
Exhibition and public art	48,393	6.73	60,776	8.67
Amortization of deferred contributions (note 7)	43,441	6.04	42,789	6.10
Ontario Arts Council grant	32,801	4.56	19,301	2.75
Ontario Trillium Foundation grant	13,352	1.86	59,186	8.44
Studio space rental	8,108	1.13	9,525	1.36
Fundraising and donations	5,116	0.71	30,141	4.30
Interest and miscellaneous	4,553	0.63	4,366	0.62
	<u>719,105</u>	<u>100.00</u>	<u>701,282</u>	<u>100.00</u>
Expenditures				
Accounting and legal	22,565	3.14	26,983	3.85
Advertising	7,566	1.05	8,908	1.27
Amortization of tangible capital assets	57,528	8.00	55,809	7.96
Commissions	70,096	9.75	75,286	10.74
Consulting fees	47,950	6.67	34,032	4.85
Exhibitions and public art	375	0.05	18,941	2.70
Fundraising	-	-	80	0.01
Instructor fees	96,176	13.37	71,354	10.17
Insurance	12,451	1.73	11,894	1.70
Interest and bank charges	4,936	0.69	8,689	1.24
Interest on long-term debt	5,720	0.80	6,338	0.90
Janitorial	-	-	241	0.03
Mosaic	12,897	1.79	27,198	3.88
Office and general	19,043	2.65	17,772	2.53
Property tax	8,181	1.14	8,026	1.14
Repairs and maintenance	16,974	2.36	14,046	2.00
Supplies	57,851	8.04	34,208	4.88
Telephone and utilities	26,851	3.73	23,867	3.40
Wages	274,859	38.22	303,421	43.27
	<u>742,019</u>	<u>103.18</u>	<u>747,093</u>	<u>106.52</u>
Deficiency of Operating Revenues over Expenditures	(22,914)	(3.18)	(45,811)	(6.52)
Other Income				
Government subsidy (note 10)	-	-	12,161	1.73
Loan forgiveness	-	-	20,000	2.85
	<u>-</u>	<u>-</u>	<u>32,161</u>	<u>4.58</u>
Deficiency of Revenues over Expenditures	<u>\$ (22,914)</u>	<u>(3.18)</u>	<u>\$ (13,650)</u>	<u>(1.94)</u>

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, 2023

	2023	2022
Cash Flows from Operating Activities		
Deficiency of revenues over expenditures	\$ (22,914)	\$ (13,650)
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	57,528	55,809
Amortization of deferred contributions related to tangible capital assets	<u>(43,441)</u>	<u>(42,789)</u>
	(8,827)	(630)
Changes in non-cash working capital items		
Accounts receivable	(16,524)	461
Government assistance	-	11,368
Prepaid expenses	(282)	3,288
Accounts payable and accrued liabilities	7,799	7,776
Government remittances payable	2,592	3,597
Deferred revenue	<u>(75,658)</u>	<u>64,474</u>
	<u>(82,073)</u>	<u>90,964</u>
Net Cash (Used in) Provided by Operating Activities	(90,900)	90,334
Cash Flows from Financing Activities		
Decrease in long-term debt	(10,612)	(67,145)
Increase in deferred contributions related to tangible capital assets	<u>66,962</u>	<u>26,301</u>
Net Cash Provided by (Used in) Financing Activities	56,350	(40,844)
Cash Flows from Investing Activities		
Purchase of tangible capital assets	<u>(73,742)</u>	<u>(34,744)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(108,292)	14,746
Cash and Cash Equivalents, Beginning of the Year	<u>325,103</u>	<u>310,357</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 216,811</u></u>	<u><u>\$ 325,103</u></u>
Represented by:		
Cash	\$ 216,811	\$ 187,692
Term Deposit	<u>-</u>	<u>137,411</u>
	<u><u>\$ 216,811</u></u>	<u><u>\$ 325,103</u></u>

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, 2023

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.

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, 2023

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.



CLAYWORX: CERAMICS ARTS LEARNING CENTRE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2023

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 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	2023 Net	2022 Net
Land	\$ 42,959	\$ -	\$ 42,959	\$ 42,959
Building	1,641,930	591,102	1,050,828	1,043,060
Kilns	49,602	38,570	11,032	8,969
Furniture and equipment	135,742	79,178	56,564	30,177
Computers	2,937	441	2,496	-
Assets under construction	-	-	-	22,500
	<u>\$ 1,873,170</u>	<u>\$ 709,291</u>	<u>\$ 1,163,879</u>	<u>\$ 1,147,665</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%.

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, 2023

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:

	2023	2022
London Arts Council	\$ 48,750	\$ 75,000
Deferred class instructions, workshops and programs	34,785	-
Other	4,771	3,717
Deferred memberships	4,980	3,170
Ontario Trillium Foundation	-	68,813
Ontario Arts Council	-	16,406
Summer Experience Program	-	1,836
	<u>\$ 93,286</u>	<u>\$ 168,942</u>

6. Long-term Debt

	2023	2022
0% municipal loan, repayable in monthly principal installments of \$219, due August 2023.	\$ 1,974	\$ 3,509
0% municipal loan, repayable in monthly principal installments of \$219, due September 2025.	5,045	6,580
5.50% first mortgage, repayable in weekly blended principal and interest installments of \$267, due December 2023.	<u>113,215</u>	<u>120,759</u>
	120,234	130,848
Less: current portion	<u>(117,823)</u>	<u>(17,086)</u>
	<u>\$ 2,411</u>	<u>\$ 113,762</u>

Land and building with a net book value of \$1,093,787 (2022 - \$1,086,019) 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 until December 2022. Regular monthly payments resumed thereafter.

The total long-term debt related to investment in tangible capital assets is \$120,234 (2022 - \$130,848).

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, 2023

6. Long-term Debt (continued)

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

Year ending July 31, 2024	\$ 117,823
July 31, 2025	<u>2,411</u>
	<u>\$ 120,234</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:

	2023	2022
Balance, beginning of year	\$ 774,361	790,849
Less: amortization of deferred contributions	(43,441)	(42,789)
Add: contributions received for capital purposes	<u>66,962</u>	<u>26,301</u>
Balance, end of year	<u>\$ 797,882</u>	<u>\$ 774,361</u>
Balance represented by:		
Unspent contributions	\$ 18,179	\$ 18,179
Unamortized contributions	<u>779,703</u>	<u>756,182</u>
	<u>\$ 797,882</u>	<u>\$ 774,361</u>

8. Investment in Tangible Capital Assets

	2023	2022
Cash	\$ 18,179	\$ 18,179
Tangible capital assets (note 3)	<u>1,163,879</u>	<u>1,147,665</u>
	1,182,058	1,165,844
Less amounts financed by:		
Long-term debt (note 6)	(120,234)	(130,848)
Deferred contributions (note 7)	<u>(797,882)</u>	<u>(774,361)</u>
Balance, end of year	<u>\$ 263,942</u>	<u>\$ 260,635</u>

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, 2023

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 \$17,394 (2022 - \$15,588). These interfund transfers include tangible capital asset purchases and, repayments of long term debt.

10. Government Assistance

The organization qualified to receive Canadian Emergency Wage Subsidy in the prior year, and claimed \$10,436. The organization applied for the Canada Emergency Rent Subsidy in the prior year, and claimed \$1,725. 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, 2023.

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.

