

DAREarts Foundation Inc.
Financial Statements
For the Year Ended July 31, 2022

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Independent Auditor's Report

To the Board of Directors and Stakeholders of DAREarts Foundation Inc.

Qualified Opinion

We have audited the accompanying financial statements of DAREarts Foundation Inc., which comprise the statement of financial position as at July 31, 2022, and the statements of operations and 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.

In our opinion, except for the possible effects of matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of DAREarts Foundation Inc. as at July 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives part of its revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and cash flows from operations for the years ended July 31, 2022 and 2021, current assets as at July 31, 2022 and 2021 and net assets as at August 1 and July 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended July 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 Foundation 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 audit 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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. 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 Foundation'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 Foundation'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 Foundation 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.

We 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.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
October 28, 2022

DAREarts Foundation Inc.
Statement of Financial Position

July 31	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 422,703	\$ 532,645
Accounts receivable	337,327	176,415
Prepaid expenses	5,687	-
	765,717	709,060
Donated artwork	-	22,800
Tangible capital assets (Note 2)	7,388	10,031
	\$ 773,105	\$ 741,891
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 38,721	\$ 7,703
Deferred revenue	18,561	74,968
Government remittances payable	18,469	3,204
	75,751	85,875
Uncertainty due to COVID-19 (Note 7)		
Net Assets		
Unrestricted	412,354	371,016
Internally restricted contingency fund (Note 3)	285,000	285,000
	697,354	656,016
	\$ 773,105	\$ 741,891

On behalf of the Board:


 _____ Chair
 Tina Osen


 _____ Director
 Jennifer Wilson

DAREarts Foundation Inc.
Statement of Operations and Changes in Net Assets

For the year ended July 31	Unrestricted	Internally restricted	2022	2021
Revenue				
Corporations	\$ 584,724	-	\$ 584,724	\$ 476,875
Foundations	168,120	-	168,120	106,368
Campaigns and events	257,812	-	257,812	264,955
Government (Note 5)	65,877	-	65,877	325,094
Individuals	103,593	-	103,593	38,942
Other	916	-	916	1,015
	1,181,042	-	1,181,042	1,213,249
Expenses				
Programs	671,000	-	671,000	517,185
Program advancement	318,312	-	318,312	294,368
Administration	114,550	-	114,550	100,615
Amortization	2,642	-	2,642	3,644
Campaigns and events	10,400	-	10,400	11,531
Write-off of donated artwork	22,800	-	22,800	-
	1,139,704	-	1,139,704	927,343
Excess of revenues over expenses	41,338	-	41,338	285,906
Net Assets, beginning of the year	371,016	285,000	656,017	370,111
Net Assets, end of the year	\$ 412,354	\$ 285,000	\$ 697,355	\$ 656,017

The accompanying notes are an integral part of these financial statements.

DAREarts Foundation Inc.
Statement of Cash Flows

For the year ended July 31	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 41,338	\$ 285,906
Items not affecting cash:		
Amortization of tangible capital assets	2,642	3,644
Write-off of donated artwork	22,800	-
	<u>66,780</u>	<u>289,550</u>
Changes in non-cash working capital:		
Accounts receivable	(160,912)	(112,031)
Prepaid expenses	(5,687)	-
Accounts payable and accrued liabilities	31,018	(15,000)
Deferred revenue	(56,407)	74,968
Government remittances payable	15,265	3,204
	<u>(109,943)</u>	<u>240,691</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(2,632)
Net (decrease) increase in cash	<u>(109,943)</u>	<u>238,059</u>
Cash, beginning of the year	<u>532,647</u>	<u>294,588</u>
Cash, end of the year	<u>\$ 422,704</u>	<u>\$ 532,647</u>

The accompanying notes are an integral part of these financial statements.

DAREarts Foundation Inc.

Notes to Financial Statements

July 31, 2022

1 .Significant Accounting Policies

Nature and Purpose of Organization

The Foundation provides children and youth with out-of-classroom education in life skills using all the arts.

DAREarts Foundation Inc. was incorporated under letters patent in the Province of Ontario as a corporation without share capital on December 16, 1996. On April 30, 1997, the Foundation received notification of registration from the Canada Revenue Agency that it had qualified for tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation issues tax donation receipts, under Registration Number 886917764RR0002.

During the year, The Foundation received a business licence to operate under the name of Thrive Youth Development Canada. The license expires January 2027.

In order to maintain its status as a charitable organization under the Act, the Foundation must meet certain requirements within the Act. These requirements include annual return filings and fulfilling disbursement requirements.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or when amount can be reasonably estimated and collection is reasonably assured. Interest income is recognized as revenue in the year in which it is earned. The unrestricted general operating fund accounts for the foundation's program delivery and administrative activities. This fund reports unrestricted resources.

Deferred revenue represents contributions and grants received for programs in future periods.

Inventory

Inventory includes a collection of art work donated to the Foundation and is measured at fair value at the date of contribution.

DAREarts Foundation Inc.

Notes to Financial Statements

July 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

The Foundation's financial instruments comprise cash and investments, which are recorded at fair value and accounts receivable and accounts payable and accrued liabilities which are recorded at amortized cost.

Donated Materials and Services

The work of the Foundation is dependent on the voluntary services of the community. Since these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements. For 2022 the Foundation tracked 888 volunteer hours (2021 - 773 hours).

Contributed materials are recognized in the financial statements when their fair market values are reasonably determinable and when they would normally have been purchased by the Foundation if not donated.

Fair value is defined as the estimated cash outlay that would have been required to purchase the contributed services and material.

DAREarts Foundation Inc.

Notes to Financial Statements

July 31, 2022

1. Significant Accounting Policies (continued)

Tangible Capital Assets

Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Construction in progress is not amortized until the tangible capital asset is substantially complete and ready for use.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Office furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30-50%

When a tangible capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. The principal estimates used in the preparation of these financial statements are estimates for accrued liabilities, valuation of inventory and the useful life and valuation of property, plant and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.

DAREarts Foundation Inc.
Notes to Financial Statements

July 31, 2022

1. Significant Accounting Policies (continued)

Contingency Fund The Foundation has established an internally restricted contingency fund. The fund will be used to cover against unexpected events, such as losses of income, and large unbudgeted expenses.

2. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office furniture and equipment	\$ 25,706	\$ 22,770	\$ 25,706	\$ 22,036
Computer equipment	37,348	32,896	37,348	30,987
	63,054	55,666	63,054	53,023
		\$ 7,388		\$ 10,031

3. Internally Restricted Contingency Fund

	2022		2021	
Opening balance	\$ 285,000	\$	110,000	
Transfers		-	175,000	
Closing balance	\$ 285,000	\$	285,000	

4. Contingency

The DAREarts Arts Endowment Fund was established in 2001 under a government matching AEF program - a program of the Ministry of Tourism, Culture and Sport. The terms of the program stipulate that the fund is a long-term endowment fund to be held in perpetuity and cannot be liquidated. Each year the Ontario Arts Foundation board of directors will review the investment performance of the funds and determine an approximate distribution of income. Distribution in 2022 was \$3,766 (2021 - \$3,526). The market value of the Endowment in 2022 was \$68,003 (2021 - \$77,016). These amounts have not been reflected in the financial statements as payment of funds is directed by the Ontario Arts Foundation.

DAREarts Foundation Inc. Notes to Financial Statements

July 31, 2022

5. Government Grants

During the year, the Foundation received a grant of \$4,217 (2021 - \$4,429) from the Employment and Social Development Canada ("ESDC").

The Foundation has also received \$NIL (2021 - \$18,000) from Agriculture and Agri-Food Canada ("AAFC").

The Foundation has also received \$3,300 (2021 - \$30,300) in government grants from the Ontario Trillium Foundation.

The Foundation has also received \$31,326 (2021 - \$55,281) in government grants from the Ontario Arts Council.

All of the above grants have been recognized in revenue.

6. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Foundation's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable.

The Foundation is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Foundation is exposed to this risk mainly in respect of its accounts payable.

The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Foundation maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

DAREarts Foundation Inc.
Notes to Financial Statements

July 31, 2022

6. Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk.

The Foundation is exposed to changes in interest rates related to its investments in marketable securities. The Foundation's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

The Foundation mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There have not been any changes in the risk from the prior year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 2% (2021 - 2%) of the Foundation's sales are in a foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at year end, accounts receivable balances of \$52,354 (2021 - \$29,398) are shown in Euros and converted into Canadian dollars.

The Foundation considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

DAREarts Foundation Inc. Notes to Financial Statements

July 31, 2022

7. Uncertainty due to COVID-19

COVID-19 was officially declared a pandemic in March 2020 and the impact on Canada and the global economy has increased significantly since then, with the full effect of COVID-19 still unknown. This has resulted in worldwide emergency measures to combat the spread of the virus. As a part of these measures, DAREarts has added additional precautions and screenings to ensure the safety of its community members and staff.

In order to respond to the needs of its service population during school and office closures, the Foundation incurred additional costs associated with establishing in-home program spaces to offer online programming (including filming online video series and running live, online classes), as well as establishing in-home office spaces for staff.

The Foundation's main risk is the loss of donations and fundraising dollars. The majority of in-person events and programming were moved to online after March 2020. Some in-person programming occurred in British Columbia during the fiscal year and the major annual fundraising event remained online. The Foundation continues to reach students through online programming and providing Creativity Kits. The organization secured a physical space at Ashbridge Estates that is accessible to staff, but is primarily used for storage due to the ongoing pandemic.

In addition, as the impacts of COVID-19 continue, there could be further impact on DAREarts and its members. Management is actively monitoring the affect on its financial condition, liquidity, and operations. As of July 31, 2022, DAREarts had received \$30,180 (2021 - \$217,084) in Canada Emergency Wage Subsidy (CEWS) which has been included in government grants.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the full impact of the pandemic on the DAREarts will not be known for months to come.
