

THE LONDON POTTERS GUILD

FINANCIAL STATEMENTS

JULY 31, 2021



THE LONDON POTTERS GUILD
INDEX TO AUDITED FINANCIAL STATEMENTS

JULY 31, 2021

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues over Expenditures	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13





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, 2021, 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, 2021, and its financial performance and its cash flows for the year ended July 31, 2021 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, 2021 and the fiscal year ending July 31, 2020 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 13, 2021

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



THE LONDON POTTERS GUILD
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2021


ASSETS


	2021	2020
Current Assets		
Cash and cash equivalents	\$ 310,357	\$ 226,907
Accounts receivable	18,647	2,825
Prepaid expenses	5,678	3,338
Government assistance receivable	<u>11,368</u>	<u>11,235</u>
	346,050	244,305
Tangible Capital Assets (note 3)	<u>1,168,730</u>	<u>1,226,696</u>
	<u>\$ 1,514,780</u>	<u>\$ 1,471,001</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 42,752	\$ 32,761
Government remittances payable	3,883	4,571
Deferred revenue (note 5)	104,468	65,345
Current portion of long-term debt (note 6)	<u>16,690</u>	<u>13,682</u>
	167,793	116,359
Long-Term Liabilities		
Long-term debt (note 6)	181,303	171,079
Deferred contributions related to tangible capital assets (note 7)	<u>790,849</u>	<u>836,800</u>
	1,139,945	1,124,238
Net Assets		
General fund	79,268	48,049
Invested in tangible capital assets (note 8)	258,067	263,314
Building fund	<u>37,500</u>	<u>35,400</u>
	374,835	346,763
	<u>\$ 1,514,780</u>	<u>\$ 1,471,001</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, 2021

	General Fund	Invested in Tangible Capital Assets	Building Fund	2021 Total	2020 Total
Balance, Beginning of Year	\$ 48,049	\$ 263,314	\$ 35,400	\$ 346,763	\$ 354,249
Excess (Deficiency) of Revenues over Expenditures	40,087	(12,015)	-	28,072	(7,486)
Interfund Transfers (note 9)	<u>(8,868)</u>	<u>6,768</u>	<u>2,100</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>\$ 79,268</u>	<u>\$ 258,067</u>	<u>\$ 37,500</u>	<u>\$ 374,835</u>	<u>\$ 346,763</u>

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THE LONDON POTTERS GUILD

STATEMENT OF REVENUES OVER EXPENDITURES

FOR THE YEAR ENDED JULY 31, 2021

	2021	%	2020	%
Revenues				
Grants	\$ 115,067	\$ 26.34	\$ 44,258	9.61
Product sales	108,789	24.91	119,649	25.97
Class instruction, workshops and programs	70,566	16.16	101,962	22.13
Membership fees	50,246	11.51	54,254	11.78
Amortization of deferred contributions (note 7)	45,951	10.52	50,130	10.88
Ontario Arts Council grant	19,301	4.42	19,301	4.19
Fundraising and donations	14,613	3.35	21,776	4.73
Studio space rental	10,419	2.39	9,347	2.03
Interest and miscellaneous	1,753	0.40	3,896	0.85
Ontario Trillium Foundation grant	-	-	36,070	7.83
	436,705	100.00	460,643	100.00
Expenditures				
Accounting and legal	19,115	4.38	10,952	2.38
Advertising	9,607	2.20	9,128	1.98
Amortization of tangible capital assets	57,966	13.27	61,814	13.42
Commissions	49,722	11.39	59,355	12.89
Consulting fees	21,223	4.86	6,595	1.43
Fundraising	50	0.01	-	-
Instructor fees	33,374	7.64	43,584	9.46
Insurance	7,721	1.77	9,884	2.15
Interest and bank charges	5,643	1.29	7,536	1.64
Interest on long-term debt	7,106	1.63	7,508	1.63
Janitorial	-	-	6,298	1.37
Mosaic	455	0.10	11	-
Office and general	17,006	3.89	17,021	3.70
Property tax	8,160	1.87	8,679	1.88
Repairs and maintenance	12,939	2.96	12,361	2.68
Supplies	28,303	6.48	27,700	6.01
Telephone and utilities	20,103	4.60	24,083	5.23
Wages	261,206	59.81	212,067	46.04
	559,699	128.15	524,576	113.89
Deficiency of Operating Revenues over Expenditures	(122,994)	(28.15)	(63,933)	(13.89)
Other Income				
Government subsidy (note 10)	151,066	34.59	56,447	12.25
Excess (Deficiency) of Revenues over Expenditures	\$ 28,072	6.44	\$ (7,486)	(1.64)

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THE LONDON POTTERS GUILD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2021

	2021	2020
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenditures	\$ 28,072	\$ (7,486)
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	57,966	61,814
Amortization of deferred contributions related to tangible capital assets	<u>(45,951)</u>	<u>(50,130)</u>
	40,087	4,198
Changes in non-cash working capital items		
Accounts receivable	(15,823)	5,632
Government assistance	(133)	(11,235)
Prepaid expenses	(2,340)	(1,538)
Accounts payable and accrued liabilities	9,991	(576)
Government remittances payable	(689)	(453)
Deferred revenue	<u>39,123</u>	<u>(7,312)</u>
	<u>30,129</u>	<u>(15,482)</u>
Net Cash Provided by (Used in) Operating Activities	70,216	(11,284)
Cash Flows from Financing Activities		
Increase in long-term debt	<u>13,234</u>	<u>30,149</u>
Net Increase in Cash and Cash Equivalents	83,450	18,865
Cash and Cash Equivalents, Beginning of the Year	<u>226,907</u>	<u>208,042</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 310,357</u>	<u>\$ 226,907</u>
Represented by:		
Cash	\$ 173,807	\$ 130,841
Term Deposit	<u>136,550</u>	<u>96,066</u>
	<u>\$ 310,357</u>	<u>\$ 226,907</u>

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2021

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.

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.

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2021

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

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2021

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	2021 Net	2020 Net
Land	\$ 42,959	\$ -	\$ 42,959	\$ 42,959
Building	1,591,430	504,909	1,086,521	1,131,793
Kilns	36,197	28,347	7,850	12,694
Furniture and equipment	94,098	62,698	31,400	39,250
	<u>\$ 1,764,684</u>	<u>\$ 595,954</u>	<u>\$ 1,168,730</u>	<u>\$ 1,226,696</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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THE LONDON POTTERS GUILD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2021

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:

	2021	2020
London Arts Council	\$ 73,750	\$ 23,333
Other	27,547	19,130
Deferred memberships	3,171	3,581
Ontario Arts Council	-	19,301
	<u>\$ 104,468</u>	<u>\$ 65,345</u>

6. Long-term Debt

	2021	2020
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, due December 2022.	60,000	40,000
5.50% first mortgage, repayable in weekly blended principal and interest installments of \$267, due December 2023.	<u>127,904</u>	<u>134,672</u>
	197,993	184,761
Less: current portion	<u>(16,690)</u>	<u>(13,682)</u>
	<u>\$ 181,303</u>	<u>\$ 171,079</u>

Land and building with a net book value of \$1,129,480 (2020 - \$1,174,752) 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 year.

25% of the first \$40,000 and 50% of the last \$20,000 of Canada Emergency Business Account loan is forgivable if repaid by December 31, 2022.

The total long-term debt related to investment in tangible capital assets is \$137,993 (2020 - \$144,761).

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



THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2021

6. Long-term Debt (continued)

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

Year ending July 31, 2022	\$ 16,690
July 31, 2023	67,876
July 31, 2024	<u>113,427</u>
	<u>\$ 197,993</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:

	2021	2020
Balance, beginning of year	\$ 836,800	886,930
Less: amortization of deferred contributions	<u>(45,951)</u>	<u>(50,130)</u>
Balance, end of year	<u>\$ 790,849</u>	<u>\$ 836,800</u>
Balance represented by:		
Unspent contributions	\$ 18,179	\$ 18,179
Unamortized contributions	<u>772,670</u>	<u>818,621</u>
	<u>\$ 790,849</u>	<u>\$ 836,800</u>

8. Investment in Tangible Capital Assets

	2021	2020
Cash	\$ 18,179	\$ 18,179
Tangible capital assets (note 3)	<u>1,168,730</u>	<u>1,226,696</u>
	1,186,909	1,244,875
Less amounts financed by:		
Long-term debt (note 6)	(137,993)	(144,761)
Deferred contributions (note 7)	<u>(790,849)</u>	<u>(836,800)</u>
Balance, end of year	<u>\$ 258,067</u>	<u>\$ 263,314</u>

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THE LONDON POTTERS GUILD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2021

9. Interfund Transfers

During the year, there were transfers made by the general fund to the capital fund for expenditures in the amount of \$6,768 (2020 - \$8,968) and to the building fund in the amount of \$2,100 (2020 - \$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 organization qualified to receive Canadian Emergency Wage Subsidy in the current year, and claimed \$135,326 (2020 - \$56,447). The organization applied for the Canada Emergency Rent Subsidy in the current year, and claimed \$15,740 (2020 - \$NIL). 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, 2021.

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.

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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