

**RESOURCE CENTRE FOR THE ARTS -
HALL OPERATIONS FUND**

**UNAUDITED FINANCIAL STATEMENTS
For The Year Ended August 31, 2010**

JOHN F. MORGAN

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REVIEW ENGAGEMENT REPORT

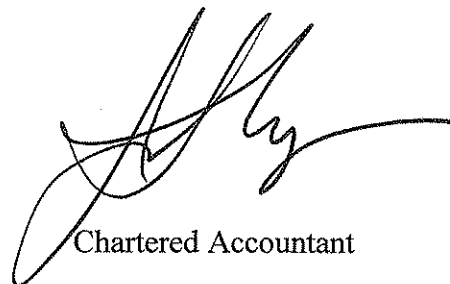
To the Members:

I have reviewed the balance sheet of Resource Centre for the Arts - Hall Operations Fund as at August 31, 2010 and the statements of revenue and expenses, accumulated surplus and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by management.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

St. John's, Newfoundland
November 16, 2010



Chartered Accountant

**RESOURCE CENTRE FOR THE ARTS -
HALL OPERATIONS FUND**

**BALANCE SHEET
(Unaudited)
AS AT AUGUST 31, 2010**

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 60,080	\$ 16,369
Cash - Capital Construction Project	11,855	50,818
HST recoverable	4,029	49,901
Prepaid expenses	-	2,400
Accounts receivable	57,837	-
	133,801	119,488
Capital assets (note 2)	2,140,453	733,101
	\$2,274,254	\$ 852,589

LIABILITIES AND OPERATING DEFICIT

CURRENT		
Accounts payable and accrued liabilities	\$ 91,398	\$ 12,782
Due to Theatre Fund (note 4)	4,060	2,639
Deferred revenue (note 3)	40,394	6,250
Deferred contribution		
- Capital Construction Project (note 6)	2,123,314	825,230
	2,259,166	846,901
ACCUMULATED SURPLUS (DEFICIT)	15,088	5,688
	\$2,274,254	\$ 852,589

Commitment (note 7)

On Behalf of the Board:

See Accompanying Notes to Unaudited Financial Statements

**RESOURCE CENTRE FOR THE ARTS -
HALL OPERATIONS FUND**

STATEMENT OF REVENUES, EXPENSES AND ACCUMULATED SURPLUS

(Unaudited)

FOR THE YEAR ENDED AUGUST 31, 2010

	2010	2009
REVENUES		
Grants and sponsorships (note 5)	\$ 111,356	\$ 87,498
Deferred Contributions – Capital Project (note 6)	73,243	-
Fundraising, donations and memberships	53,508	6,746
Rental Revenue	30,300	-
Theatre Contribution (note 4)	8,650	13,083
Bar Revenue	5,458	-
Building Repair Fund	3,271	-
Other revenue	1,123	149
Ticket Surcharge	818	-
	287,727	107,476
EXPENSES		
Salaries, benefits and independent contractors	104,820	58,974
Amortization	74,877	2,438
Insurance	14,016	9,023
Accounting fees	13,736	13,653
Utilities and telephone	13,449	10,449
Repairs and maintenance	12,267	954
Fundraising	10,176	316
A1C Gallery contribution (note 7)	6,000	7,000
Office supplies and postage	5,211	3,759
Advertising and promotion	4,876	2,624
Rent	3,975	-
Equipment	3,766	-
Municipal taxes	2,823	2,948
Bar operating	2,514	271
Bank charges and interest	1,026	2,800
Miscellaneous	887	2,276
	274,419	117,485
Excess of expenses over revenues	13,308	(10,009)
Loss on disposal of capital assets	3,908	-
	9,400	(10,009)
Accumulated surplus (deficit), beginning of year	5,688	15,697
ACCUMULATED SURPLUS, END OF YEAR	\$ 15,088	\$ 5,688
Commitment (note 7)		

See Accompanying Notes to Unaudited Financial Statements

John F. Morgan, Chartered Accountant

**RESOURCE CENTRE FOR THE ARTS -
HALL OPERATIONS FUND**

STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE YEAR ENDED AUGUST 31, 2010

	2010	2009
OPERATING ACTIVITIES:		
Excess of expenses over revenues	\$ 9,400	\$ (10,009)
Items not affecting cash:		
Amortization of capital assets	74,877	2,438
Amortization of deferred contribution – capital project	(73,243)	-
Loss on disposal of capital assets	3,908	-
Changes in non-cash working capital	103,195	(50,855)
Cash from (provided for) operating activities	118,137	(58,426)
INVESTING ACTIVITIES:		
Capital construction project	(1,489,437)	(691,077)
Sale of capital assets	3,300	-
Cash from (provided for) investing activities	(1,486,137)	(691,077)
FINANCING ACTIVITIES:		
Advances from (to) Gallery Fund	-	65
Advances from (to) Theatre Fund	1,421	(23,648)
Deferred contributions – capital project	1,371,327	325,230
Cash from (provided by) financing activities	1,372,748	301,647
Net increase (decrease) in cash	4,748	(447,856)
Cash, beginning of year	67,187	515,043
CASH, END OF YEAR	\$ 71,935	\$ 67,187
Cash, end of year consists of:		
Cash	\$ 60,080	\$ 16,369
Cash – Capital Construction Project	11,855	50,818
	\$ 71,935	\$ 67,187
Commitment (note 7)		

See Accompanying Notes to Unaudited Financial Statements

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2010

General

The fund is one of two funds that constitute the Resource Centre for the Arts. The organization operates as a charity and, as such, maintains that status for income tax purposes. The organization's mission is to develop, promote and present indigenous Newfoundland and Labrador art and artists.

1. Significant Accounting Policies:

These financial statements have been prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

Capital Assets and Amortization:

Capital assets are recorded at cost. Effective for the year ended August 31, 1999, the fund started to amortize its assets using the following methods of amortization set out below:

Building	4% declining balance
Building soft costs	4% declining balance
Equipment	20% declining balance
Software	20% declining balance
Seating	20% declining balance
Computer	30% declining balance

Revenue Recognition:

Resource Centre for the Arts – Hall Operations Fund follows the deferral method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions relating to the capital construction project have been deferred and will be recognized on the same basis as the related capital assets are amortized.

Donations are recognized on a cash basis.

Rental revenue is recognized as revenue when earned.

Interest income is recognized as revenue on an accrual basis.

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2010

2. Capital Assets:

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Building	\$2,036,166	\$ 519,407	\$1,516,759	\$ 629,680
Equipment	311,401	31,140	280,261	28,853
Building – soft costs	297,061	5,941	291,120	68,925
Seating	48,350	4,835	43,515	-
Computer	3,851	3,401	450	643
Software	3,720	372	3,348	-
Land	5,000	-	5,000	5,000
	<u>\$2,705,549</u>	<u>\$ 565,096</u>	<u>\$2,140,453</u>	<u>\$ 733,101</u>

3. Deferred Revenue:

Deferred revenue consists of grant revenue which had not been earned by year end due to either the grant funds not having been used by year end or the grant which was issued for a stated period, had not expired by year end.

4. Related Party Transactions:

During the year Resource Centre for the Arts - Hall Operations Fund received rent and salary contribution of \$9,983 from the Theatre Fund. They also received \$16,847 for theatre rental.

As at August 31, 2010 the Resource Centre for the Arts – Hall Operations Fund owed Resource Centre for the Arts – Theatre Fund \$4,060 (2009 - \$2,639). This amount is non-interest bearing and has no fixed terms of repayment.

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2010

5. Grants and Sponsorships:

Grant and sponsorship revenue for the year consists of the following:

	<u>2010</u>	<u>2009</u>
Cultural Economic Development Program	\$ 75,000	\$ 75,000
City of St. John's	33,356	5,000
Royal Bank of Canada	2,500	2,500
Department of Canadian Heritage	500	-
Human Resources and Employment	-	4,998
	<u>\$ 111,356</u>	<u>\$ 87,498</u>

6. Capital Project Funding:

As at August 31, 2010 the Resource Centre for the Arts received the following funds to support the capital renovation project for the LSPU Hall.

City of St. John's	\$ 621,045
Department of Canadian Heritage	609,255
Government of Newfoundland and Labrador	603,000
ACOA	302,056
Government of Newfoundland and Labrador – INTRD	47,696
Department of Canadian Heritage – Equipment Funding	<u>27,600</u>
	<u>\$2,210,652</u>

This amount has been recorded as deferred contribution – capital construction project and is being recognized on the same basis as the related capital assets are being amortized.

Total contribution received	\$2,210,652
Less: amortization of deferred contributions	(73,243)
Less: reduction for contribution to A1C Gallery Inc. per agreement (note 7)	<u>(14,095)</u>
Balance, end of year	<u>\$2,123,314</u>

RESOURCE CENTRE FOR THE ARTS - HALL OPERATIONS FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

For the Year Ended August 31, 2010

7. Commitment:

On June 13, 2008 Gallery Fund incorporated its own entity, A1C Gallery Inc., and ceased operations under the Resource Centre for the Arts. The bank account for Gallery Fund was closed on August 18, 2008 and the balance was recorded as a contribution to A1C Gallery Inc. As part of the separation agreement, Resource Centre for the Arts agreed to provide a \$7,000 payment during the 2008/2009 fiscal year and a \$6,000 payment during 2009/2010 fiscal year. The \$7,000 amount was paid for the year ended August 31, 2009 and the \$6,000 amount was paid for the year ended August 31, 2010. The agreement stated that all contractual obligations or incurred debt of the Gallery Fund would be the responsibility of the new organization. Any outstanding obligations of the Gallery Fund will be settled prior to the release of the funds from the Resource Centre for the Arts. The Resource Centre for the Arts has also agreed to provide \$22,000 for specific equipment purchases provided funding to the Resource Centre for the Arts becomes available. During the year these specific equipment purchases amounted to \$14,095 and the equipment was transferred to A1C Gallery Inc. As at August 31, 2010 management is of the opinion that they have fulfilled the terms of the agreement and have no further obligations to A1C Gallery Inc.

8. Donation:

The Resource Centre for the Arts received approximately 1,000 St. John's Water Street cobblestones valued at \$15.00 each by an independent appraiser. The value of the contribution and the cobblestones has not been included in these financial statements. During the year the Resource Centre for the Arts donated the cobblestones to the Geo Centre.

9. Comparative Amounts:

Certain of the comparative amounts have been reclassified to conform to the financial statement presentation adopted in the current year.