

Small Arms Society
(Operating as CreativeHub 1352)
Financial Statements
Year ended August 31, 2020

Small Arms Society
(Operating as CreativeHub 1352)
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For the year ended August 31, 2020

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Independent Auditors' Report

To the members of
Small Arms Society (operating as CreativeHub 1352)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Small Arms Society (operating as CreativeHub 1352), which comprise the statement of financial position as at August 31, 2020, and the statements of operations, changes in net assets and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Small Arms Society (operating as CreativeHub 1352) as at August 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 opinion.

Emphasis of Matter

We draw attention to Note 11 to the financial statements which describes the uncertainty related to the COVID-19 pandemic. Our opinion is not qualified in respect to this matter

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 partnership or to cease operations or has no realistic alternative but to do so.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Richard Clarke, CPA, CA

Deeth + Co. LLP

Chartered Professional Accountants

Licensed Public Accountants

Mississauga, Ontario

November 16, 2020

Small Arms Society
(Operating as CreativeHub 1352)
Statement of Operations
For the year ended August 31, 2020

	2020	2019
Revenues		
Event revenue	\$ 13,334	\$ 18,738
Grants	21,724	135,506
Gifts received from other entities	2,500	-
Deferred capital contribution realized	5,760	7,200
Deferred grants realized	-	43,850
Total Income	43,318	205,294
Expenses		
Advertising and promotion	14,715	38,689
Amortization	5,760	7,200
Bank service charges	216	269
Program	-	18,022
Insurance	529	529
Office	5,632	11,243
Professional fees	5,000	2,000
Rent	5,085	12,952
Salaries and benefits	39,998	63,564
Total Expenses	76,935	154,468
Excess (deficiency) of revenue over expenditures	\$ (33,617)	\$ 50,826

The accompanying notes are an integral part of these financial statements

Small Arms Society

(Operating as CreativeHub1352)

Statement of Changes in Net Assets

For the year ended August 31, 2020

	2020		2019	
Net assets, beginning of year	\$	58,196	\$	7,370
Excess (deficiency) of revenues over expenditures		(33,617)		50,826
Net assets, end of year	\$	24,579	\$	58,196

The accompanying notes are an integral part of these financial statements

Small Arms Society
(Operating as CreativeHub 1352)
Statement of Financial Position
As at August 31, 2020

	Notes	2020	2019
Assets			
Current assets			
Cash	3	\$ 82,220	\$ 65,652
Accounts receivable	4	17,848	-
		100,068	65,652
Property, plant and equipment, net of accumulated amortization	5	23,040	28,800
		\$ 123,108	\$ 94,452
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 7,364	\$ 7,456
Deferred revenue	7	68,125	-
Deferred capital contribution	8	4,608	5,760
		80,097	13,216
Deferred capital contribution - long term	8	18,432	23,040
		98,529	36,256
Net Assets			
Unrestricted		24,579	58,196
		\$ 123,108	\$ 94,452

Approved: _____

The accompanying notes are an integral part of these financial statements

Small Arms Society
(Operating as CreativeHub 1352)
Statement of Cash Flows
For the year ended August 31, 2020

	2020	2019
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures	\$ (33,617)	\$ 50,826
Amortization	5,760	7,200
	(27,857)	58,026
Change in non-cash working capital items related to operations:		
Accounts receivable	(17,848)	-
Grants receivable	-	250
Prepays	-	18,853
Accounts payable and accrued liabilities	(612)	(4,038)
Deferred revenue and capital contributions	62,885	(50,450)
Net increase in cash from activities	16,568	22,641
Cash at beginning of period	65,652	43,011
Cash at end of year	\$ 82,220	\$ 65,652

The accompanying notes are an integral part of these financial statements

Small Arms Society

(Operating as CreativeHub 1352)

Notes to the Financial Statements

August 31, 2020

1 Purpose of organization

Small Arms Society, hereinafter referred to as its operating name, CreativeHub 1352, is a not-for-profit organization. CreativeHub 1352 was incorporated without share capital on August 31, 2009 under the laws in the province of Ontario. Being a not-for-profit organization, CreativeHub 1352 is exempt from income tax.

The Small Arms Inspection Building is a building of a historic significance located in the province of Ontario. CreativeHub 1352 envisions the transformation of this historic site into a dynamic creative hub to honour its rich past and provide a sense of place and community for current and future generations.

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, including the following significant accounting policies.

2 Accounting policies

Outlined below are those accounting policies considered particularly significant:

Revenue Recognition

Event revenue is recognized when the product or service is delivered to the customer. Deposits for events are recorded as deferred revenue until earned.

Revenue from contributions are recognized using the deferral method.

Revenue from unrestricted donations and fundraising is recognized when cash is received.

Revenue from restricted donations is recognized in the same period as the related expense for which the donation was restricted.

Contributions received which are restricted for asset purchases are recognized as revenue on the same basis used for amortization of the related asset. If the related asset is not subject to amortization, the contribution is recorded as a direct increase to net assets.

All other revenue and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the year which they have been earned and incurred, respectively, whether or not such transactions have been settled by the receipt or payment of money.

Cash

Cash represents unrestricted cash and equivalents and short-term investments with maturity dates of three months or less at the date of purchase.

Property, plant and equipment

Purchased property, plant and equipment are stated at cost. Contributed property, plant and equipment are recorded at fair market value at the date of contribution. Where fair value cannot be reasonably determined, the contributed property has been recognized at a nominal value. Amortization is provided for over the the estimated useful life of the asset at the following rate:

Furniture	20%
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In the year of acquisition, one-half of the normal rate is used.

Small Arms Society

(Operating as CreativeHub 1352)

Notes to the Financial Statements

August 31, 2020

2 Accounting policies (continued)

Deferred capital contributions

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of property, plant and equipment. The amortization of deferred capital contributions are recorded as revenue in the Statement of Operations.

Donated services

The work of the Organization is dependent on the voluntary services of many members. As these services are not normally purchased by the Organization and because of the difficulty in determining their fair value, these services are not recognized in these statements.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and deferred capital contribution and grants.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Use of estimates

The preparation of financial statements 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in these financial statements are the determination for useful lives of property, plant and equipment, accruals, deferred capital contributions, deferred grants, and cost allocations between programs. Actual results could differ from management's best estimates as additional information becomes available.

3 Cash

	2020	2019
Unrestricted cash	\$ 18,970	\$ 65,652
Externally restricted cash (Note 7)	63,250	-
	\$ 82,220	\$ 65,652

Small Arms Society

(Operating as CreativeHub 1352)

Notes to the Financial Statements

August 31, 2020

4 Accounts receivable

Accounts receivable consist of the following:

	2020	2019
City of Mississauga	\$ 4,113	\$ -
Service Canada - Canada Summer Jobs program	8,860	-
Eventbrite - Mississauga Creative Craft Beer Festival (note 7)	4,875	-
	\$ 17,848	\$ -

Subsequent to the year end, on September 25, 2020, the City of Mississauga refunded rent previously paid by CreativeHub 1352 due to cancelled rent contracts during the COVID-19 pandemic. The amount related to the rent paid prior to August 31, 2020 has been set up as a receivable.

5 Property, plant and equipment

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Furniture	\$ 36,000	\$ 12,960	\$ 23,040	\$ 28,800

Amortization provided for the year totalled \$5,760 (2019 - \$7,200).

6 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2020	2019
Accrued liabilities	\$ 6,898	\$ 6,898
Government remittances payable	466	466
	\$ 7,364	\$ 7,364

Small Arms Society

(Operating as CreativeHub 1352)

Notes to the Financial Statements

August 31, 2020

7 Deferred revenue

The deferred grant amounts for Situ Multi Arts Festival, Spring Swing event and Arts and Culture programs are deferred due to the designated programs being delayed because of the COVID-19 pandemic. The deferred revenue for the Mississauga Creative Craft Beer festival represents pre-sold tickets for the event that had to be postponed because of the COVID-19 pandemic.

	2020	2019
Minister of Canadian Heritage grant for the In Situ Multi Arts Festival	36,700	-
Minister of Canadian Heritage grant for The People and Stories of Small Arms Ltd. - WWII Spring Swing event	7,800	-
City of Mississauga Arts & Culture grant	18,750	-
Eventbrite - Mississauga Creative Craft Beer Festival	4,875	-
	\$ 68,125	\$ -

8 Deferred capital contribution

The deferred capital contribution is the amount of the furniture less accumulated amortization to date to be recognized in later years which equals the net book value as of August 31, 2020.

	2020	2019
Deferred capital contribution	\$ 23,040	\$ 28,800
Less: amounts to be realized within a year	(4,608)	(5,760)
Deferred capital contribution - long term	\$ 18,432	\$ 23,040

9 Financial instruments

The Organization is exposed to credit risk through its accounts receivable, which are by nature unsecured. The Organization monitors outstanding accounts and follows up on overdue receivables.

The Organization is exposed to liquidity risk through its debts and obligations. To ensure the Organization is able to fund its obligations as they come due, it maintains accessible sources of liquidity which includes its excess cash and restricted cash.

Unless otherwise noted, it is the Board of Directors's opinion that the Organization is not subject to significant interest rate and other price risk or currency risk.

10 Comparative figures

The comparative figures for the prior year ending August 31, 2019 were audited by the Organization's former auditor under an Independent Auditor's Report dated January 9, 2020 and have not been audited by Deeth & Co.LLP.

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Small Arms Society

(Operating as CreativeHub 1352)

Notes to the Financial Statements

August 31, 2020

11 Impact of COVID-19 pandemic

In early 2020, the outbreak of a novel strain of coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and was declared a pandemic by the World Health Organization on March 11, 2020. By mid-March, Ontario declared a state of emergency resulting in the mandated closure of schools, public facilities and non-essential businesses, including cultural centres. The COVID-19 pandemic has had a material negative effect on all aspects of the Organization's operations resulting in material decreases in revenues, results of operations and cash flows. The Organization was allowed to operate its farmer's market and some special projects during the pandemic.

Given the dynamic nature of the circumstances, it is difficult to predict the full extent of the adverse effect of COVID-19 pandemic on the Organization's financial condition, liquidity, and results of operations in the future. The extent and duration of the impact will depend on future developments, including but not limited to the restrictions placed on public gatherings and general economic conditions.

Although the COVID-19 pandemic has produced uncertainty to the Organization's operations, as of the release of these financial statements there are sufficient cash reserves to fund operations for the foreseeable future.
