

Financial Statements

Neutral Ground Inc.

August 31, 2024

Draft - December 3, 2024, 3:12 PM

Contents

	Page
Independent Practitioner's Review Engagement Report	1
Statement of Operations	2 - 3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11

Draft - December 3, 2024, 3:12 PM

Independent Practitioner's Review Engagement Report

To the Members of
Neutral Ground Inc.

We have reviewed the accompanying financial statements of Neutral Ground Inc. that comprise the statement of financial position as at August 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Neutral Ground Inc. as at August 31, 2024, 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.

Regina, Canada
Date to be determined

Chartered Professional Accountants

Neutral Ground Inc. Statement of Operations

Year ended August 31	2024 Budget	2024 Actual	2023 Actual
Revenues			
Grant	\$ 178,250	\$ 180,361	\$ 236,553
Memberships	1,800	1,644	1,226
Fundraising	1,200	701	439
Concession sales	3,250	526	3,024
Ticket Sales	800	490	340
Rental	450	315	285
Workshops/classes	500	-	320
Merchandise	100	-	195
Other Income	-	-	75
	<u>186,350</u>	<u>184,037</u>	<u>242,457</u>
Expenditures			
Administration			
Salaries and benefits	36,987	23,456	37,171
Professional fees	12,430	13,684	12,696
Amortization	-	7,753	2,419
Office	2,200	4,013	1,720
Telephone	2,300	1,964	2,115
Web hosting	950	1,752	1,149
Professional development board	600	1,573	217
Memberships	475	825	547
Postage	500	780	540
Interest and bank charges	400	471	385
WCB expense	195	422	246
Board meetings	400	67	213
Contingency	5,000	-	-
	<u>62,437</u>	<u>56,760</u>	<u>59,418</u>
Marketing and communications			
Advertising	2,375	920	4,258
Printing	1,000	484	652
	<u>3,375</u>	<u>1,404</u>	<u>4,910</u>

Neutral Ground Inc.
Statement of Operations (continued)

Year ended August 31	2024 Budget	2024 Actual	2023 Actual
Facility and operating			
Rent	24,797	24,206	24,003
Operational costs	10,074	15,119	10,840
Insurance	3,750	3,701	3,009
Utilities	1,775	3,121	2,494
Repairs and maintenance	150	616	1,535
Automotive	-	-	281
	40,546	46,763	42,162
 Fundraising events	250	-	6
 Artistic			
Exhibition/program wages	52,889	53,152	48,970
Artist fees	12,370	10,514	23,366
Travel	4,650	5,005	12,194
Artist lecture or workshop fees	3,762	4,736	7,028
Events and reception	1,800	1,894	4,621
Shipping - art	1,800	1,860	1,309
Installation materials	1,350	1,197	3,192
Photo/documentation contract	720	420	780
Artist hospitality	270	307	223
Equipment rental - exhibition	600	242	70
Creative staff travel	600	166	-
	80,811	79,493	101,753
	187,419	184,420	208,249
 (Deficiency) excess of revenues over expenditures before other income	(1,069)	(383)	34,208
 Other income			
Donations	1,100	500	520
Interest income	550	986	601
	1,650	1,486	1,121
 Excess of revenues over expenditures	\$ 581	\$ 1,103	\$ 35,329

Neutral Ground Inc.
Statement of Changes in Net Assets

Year ended August 31

	Unrestricted Fund	Invested in Tangible Capital Assets	Total 2024	Total 2023
Balance, beginning of year	\$ 68,122	\$ 1,260	\$ 69,382	\$ 34,053
Excess (deficiency) of revenues over expenditures	<u>(23,566)</u>	<u>24,669</u>	<u>1,103</u>	<u>35,329</u>
Balance, end of year	<u>\$ 44,556</u>	<u>\$ 25,929</u>	<u>\$ 70,485</u>	<u>\$ 69,382</u>

Draft - December 3, 2024, 3:12 PM

Neutral Ground Inc.
Statement of Financial Position

August 31

2024

2023

Assets

Current

Cash (Note 3)	\$ 36,267	\$ 41,700
Accounts receivable (Note 4)	250	27,001
Prepaid expenses	12,033	2,550
Goods and services tax receivable	<u>2,782</u>	<u>1,503</u>
	51,332	72,754

Long-term

Tangible capital assets (Note 5)	25,929	1,260
Security deposits	<u>9,336</u>	<u>9,336</u>
	\$ 86,597	\$ 83,350

Liabilities

Current

Accounts payable and accrued liabilities	\$ 14,564	\$ 11,267
Vacation payable	1,548	2,239
Credit card payable	<u>-</u>	<u>462</u>
	16,112	13,968

Fund balances

Unrestricted fund	44,556	68,122
Invested in tangible capital assets	<u>25,929</u>	<u>1,260</u>
	70,485	69,382
	\$ 86,597	\$ 83,350

On behalf of the Board

 Director

 Director

Neutral Ground Inc.

Statement of Cash Flows

Year ended August 31

2024

2023

Increase (decrease) in cash

Operating

Excess of revenues over expenditures	\$ 1,103	\$ 35,329
Item not affecting cash		
Amortization	<u>7,753</u>	<u>2,419</u>
	8,856	37,748
Change in non-cash working capital items		
Accounts receivable	26,751	(23,750)
Prepaid expenses	(9,483)	4,915
Goods and services tax	(1,279)	633
Accounts payable and accrued liabilities	3,297	2,631
Vacation payable	(691)	988
Deferred revenue	<u>-</u>	<u>(13,500)</u>
	27,451	9,665

Financing

Credit card payable	(462)	(103)
---------------------	-------	-------

Investing

Purchase of tangible capital assets	<u>(32,422)</u>	<u>-</u>
-------------------------------------	-----------------	----------

(Decrease) increase in cash (5,433) 9,562

Cash

Beginning of year	<u>41,700</u>	<u>32,138</u>
End of year	<u>\$ 36,267</u>	<u>\$ 41,700</u>

Neutral Ground Inc.

Notes to the Financial Statements

August 31, 2024

1. Nature of operations

Neutral Ground Inc. (the "Organization") is an artist-run centre that presents contemporary visual and media art, located on Treaty 4 Territory in Regina, Saskatchewan. The Organization connects audiences to the work of emerging and mid-career artists, primarily from Saskatchewan and Canada.

The Organization is a not-for-profit organization incorporated provincially in Saskatchewan under The Non-profit Corporations Act, 2022. As such, the Organization is exempt from the payment of income tax under Section 149 (1) of the Income Tax Act.

2. Significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents

Cash equivalents consist of short-term investments with an initial maturity of three months or less.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

The amortization rates used for each class of property, plant and equipment are:

Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Computer software	100% Declining balance

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

When conditions indicate that a tangible capital asset no longer contributes to the Organization's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible asset is reduced to reflect the decline in the asset's value.

Net Assets

The Unrestricted Net Assets account - for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Invested in Capital Assets account - for transactions related to the Organization's capital assets and related debt.

Neutral Ground Inc.

Notes to the Financial Statements

August 31, 2024

2. Significant accounting policies (continued)

Revenue recognition

Neutral Ground Inc. follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

All other incidental revenue is recognized as revenue when the revenue is received or when the receipt is reasonably assured.

Government grants are recorded when there is a reasonable assurance that the Organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Grant funding received specified to cover future expenses are deferred until there period in which they comply with all necessary conditions.

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- cash and cash equivalents
- accounts receivables
- security deposits
- accounts payable and accrued liabilities

Financial instruments in arm's length transactions

Initial measurement

A financial asset or liability is recognized when the Organization becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value.

Subsequent measurement

Financial assets and financial liabilities originating, acquired, issued, or assumed in arm's length transactions are subsequently measured as follows:

<u>Financial instrument</u>	<u>Subsequent measurement</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Neutral Ground Inc.

Notes to the Financial Statements

August 31, 2024

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Contributed services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Measurement uncertainty

Management reviews the carrying amounts of items in the financial statement at each balance sheet date to assess the need for revisions. Many items in these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned course of action.

These estimates are reviewed periodically and adjustments are made to net income, as appropriate, in the year they become known.

Significant items subject to management's estimates include estimated useful life of assets.

3. Cash

	<u>2024</u>	<u>2023</u>
BMO - Savings account	\$ 32,560	\$ 31,573
BMO - Chequing account	3,631	10,127
Paypal account	<u>76</u>	<u>-</u>
	<u>\$ 36,267</u>	<u>\$ 41,700</u>

Neutral Ground Inc.

Notes to the Financial Statements

August 31, 2024

4. Accounts receivable

	<u>2024</u>	<u>2023</u>
Grant receivable	\$ -	\$ 27,001
Accounts receivable	<u>250</u>	<u>-</u>
	<u>\$ 250</u>	<u>\$ 27,001</u>

5. Tangible capital assets

	<u>2024</u>	<u>2023</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 70,310	\$ 51,161	\$ 19,149	\$ 1,169
Computer equipment	95,735	88,955	6,780	31
Leasehold improvements	19,212	19,212	-	60
Computer software	<u>7,328</u>	<u>7,328</u>	<u>-</u>	<u>-</u>
	<u>\$ 192,585</u>	<u>\$ 166,656</u>	<u>\$ 25,929</u>	<u>\$ 1,260</u>

6. Deferred revenue

	<u>2024</u>	<u>2023</u>
Canada Council of the Arts		
Balance, beginning of the year	\$ -	\$ 13,500
Amount recognized as revenue in the current year	<u>-</u>	<u>(13,500)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

7. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations at August 31, 2024.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from its grants receivable.

Neutral Ground Inc.

Notes to the Financial Statements

August 31, 2024

7. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its funders and accounts payable.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

8. Economic dependence

The Organization relies on funding from all levels of government. The government funding makes up nearly the entire gross revenue of the Organization. Should there be a decision by any of these government funding agencies to substantially change its dealings with the Organization, continued viable operations would be difficult.

During the year the organization received \$180,361 (2023 - \$236,553) in government funding, which comprises 98% (2023 - 97%) of total revenue.

9. Operating lease commitments

The Organization has a long term lease with respect to its premises. The lease contains renewal options and requires the payment of operational costs calculated annually. Future minimum lease payments as at August 31, 2024, are as follows:

2025	\$ 38,366
2026	38,366
2027	38,366
2028	<u>9,592</u>
	<u>\$ 124,690</u>
