IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

FINANCIAL STATEMENTS

JANUARY 31, 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT

To: The Members of
Iranian-Canadian Centre for Art and Culture

Qualified Opinion
We have audited the financial statements of Iranian-Canadian Centre for Art and Culture, which comprise the statement of financial position as at January 31, 2019, and the statements of operations, 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 effects of the 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 the organization as at January 31, 2019, and its results of 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 not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended January 31, 2019 and 2018, current assets as at January 31, 2019 and 2018, and net assets as at February 1 and January 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended January 31, 2019 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 Auditors' 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 qualified opinion.

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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITORS' REPORT, continued

Auditors' 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 auditors' 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the organization 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.

Professional Corporation
Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT, continued

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.

FTSP Professional Corporation

FTSP Professional Corporation

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

July 30, 2019

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF FINANCIAL POSITION

AS AT JANUARY 31, 2019

		2019		2018
ASSETS				
CURRENT				
Cash	**$**	**27,424**	$	-
Accounts receivable		**4,515**		87,310
Prepaid expenses and deposits		**76,246**		1,983
		108,185		89,293
LONG TERM				
Capital assets (note 3)		**1,898**		2,373
	$	**110,083**	$	91,666
LIABILITIES				
CURRENT				
Bank indebtedness	**$**	**-**	$	3,301
Accounts payable and accrued liabilities (note 4)		**50,193**		13,201
Deferred grants (note 5)		**87,000**		-
Loans payable to directors (note 6)		**60,000**		68,000
		197,193		84,502
FUND BALANCES				
NET ASSETS (NET DEFICIENCY)		**(87,110)**		7,164
	$	**110,083**	$	91,666

APPROVED ON BEHALF OF THE BOARD

____________________ ***Members*** ____________________ ***Members***

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF OPERATIONS

YEAR ENDED JANUARY 31, 2019

	2019	2018
REVENUES		
Ticket sales and admissions	**$ 277,368**	$ 413,961
Donations, contributions and sponsorships	**190,797**	556,653
Grants	**64,105**	271,912
Advertising and other income	**56,019**	41,919
Rental	**18,053**	68,870
	606,342	1,353,315
EXPENDITURES		
Production costs	**453,756**	1,007,449
Salaries and related benefits	**112,047**	66,625
Advertising and promotion	**71,825**	215,926
Occupancy costs	**27,795**	26,594
Office and general	**18,924**	11,603
Professional fees	**10,346**	27,036
Interest and bank charges	**5,448**	2,810
Amortization	**475**	487
	700,616	1,358,530
DEFICIENCY OF REVENUES OVER EXPENDITURES	**$ (94,274)**	$ (5,215)

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JANUARY 31, 2019

		2019		2018
NET ASSETS, beginning of year	**$**	**7,164**	$	12,379
Deficiency of revenues over expenditures		**(94,274)**		(5,215)
NET ASSETS (NET DEFICIENCY), end of year	**$**	**(87,110)**	$	7,164

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF CASH FLOWS

YEAR ENDED JANUARY 31, 2019

	2019	2018
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	$ **(94,274)**	$ (5,215)
Item not affecting cash		
Amortization	**475**	487
	(93,799)	(4,728)
Change in non-cash operating working capital items		
Accounts receivable	**82,795**	37,481
Prepaid expenses and deposits	**(74,263)**	(650)
Accounts payable and accrued liabilities	**36,992**	(7,120)
Deferred grants	**87,000**	(35,000)
	132,524	(5,289)
	38,725	(10,017)
FINANCING ACTIVITY		
Loans payable to directors	**(8,000)**	-
INVESTING ACTIVITY		
Purchase of capital assets	**-**	(849)
CHANGE IN CASH POSITION	**30,725**	(10,866)
CASH (BANK INDEBTEDNESS), beginning of year	**(3,301)**	7,565
CASH (BANK INDEBTEDNESS), end of year	$ **27,424**	$ (3,301)

See accompanying notes

1. PURPOSE OF THE ORGANIZATION

Iranian-Canadian Centre for Art and Culture("ICCAC") was incorporated on May 15, 2007 as a corporation without share capital under Part II of the Ontario Business Corporation Act as a not-for profit organization and is not subject to income tax pursuant to subsection 149(1) of the Income Tax Act. The objectives of the organization are to promote and enhance cross-cultural harmony in order to advance tolerance, understanding and goodwill among all segments of Canadian multi-cultural mosaic and to celebrate Iranian artistic expression and cultural heritage in Canadian society. The organization produces, organizes and presents cultural programs and cultural festivals to showcase various aspects of Iranian cultural heritage and contemporary Iranian artistic expression.

ICCAC is a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and investments maturing in less than 90 days. As at January 31, 2019 there were no cash equivalents.

(b) Revenue recognition

The organization follows the deferral method of accounting for contributions and sponsorships. Contributions and sponsorships are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government grants are recorded when there is a reasonable assurance that the organization has complied with and will continue to comply with all the necessary conditions of the grants.

Externally restricted grants are deferred and recognized as revenue in the year in which the related expenses are incurred.

Ticket sales and admissions for the biannual festival are recognized as revenue in the year in which the festival takes place and the related expenses are incurred.

Rental income is recognized as revenue when the related services are provided.

(c) Donations

Donations are recorded when received or known to be in transit at the fiscal year end.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

(d) **Contributed services**

Directors, committee members and owners volunteer their time to assist in the corporation's activities. While these services benefit the corporation considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

(e) **Capital assets**

Capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rate and method is as follows:

Furniture and fixtures	20% Declining balance

(f) **Impairment of long-lived assets**

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) **Capital management**

Iranian-Canadian Centre for Art and Culture's objective in managing its net assets are to safeguard the organization's ability to maintain its projects and programs as outlined in budgets and plans approved by the Board. The Board monitors, assesses and manages capital and makes adjustments based on its assessment of economic conditions.

The organization is subject to external restrictions on grants when the funding agencies specify program areas which they fund. The organization has complied with these externally imposed requirements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

(h) **Financial instruments**

(i) **Measurement of financial instruments**

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable to directors.

(ii) **Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(i) **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, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates. The main estimates relate to the useful life of capital assets.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net	2018 Net
Furniture and fixtures	**$ 3,083**	**$ 1,185**	**$ 1,898**	$ 2,373

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is government remittances payable of $14,894 (2018 - $1,175)

5. DEFERRED GRANTS

Deferred grants consist of funds received in advance of future events and projects. Changes in the deferred grants balances are as follows:

	2019	2018
Opening balance	**$ -**	$ (35,000)
Grants received / receivable	**87,000**	35,000
	$ 87,000	$ -

6. LOANS PAYABLE TO DIRECTORS

The loans are from the directors of the organization and are unsecured, non-interesting bearing and payable on demand.

7. LEASE COMMITMENT

Future minimum rental payments required under operating leases that have remaining terms in excess of one year are:

2020	$	1,698

8. GRANTS

Various governments and government agencies have agreed to grant the organization funds in the year to cover program expenditures incurred as per approved budgets. Such amounts included in grants revenue are as follows.

		2019		2018
Province of Ontario	$	53,000	$	203,500
Government of Canada		11,105		58,412
City of Toronto		-		10,000
	$	64,105	$	271,912

9. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) **Credit risk**

Credit risk arises from the potential that certain parties will fail to perform their obligations. The organization routinely assesses the financial strength of its sponsors and registrants and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

(b) **Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and loan payable to directors. The organization expects to meet these obligations as they come due by generating sufficient cash flows from operations as well as from ongoing grant support, sponsorships and the continued support of its members and contributors.

(c) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the organization is not exposed to these risks.