

**IRANIAN-CANADIAN CENTRE
FOR ART AND CULTURE**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors 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 December 31, 2020, and the statements of operations, changes in net assets and cash flows for the period from February 1, 2020 to December 31, 2020, 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 December 31, 2020, and the results of its operations and its cash flows for the period from February 1, 2020 to December 31, 2020 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 December 31, 2020 and January 31, 2020, current assets as at December 31, 2020 and January 31, 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 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.

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.

A handwritten signature in black ink that reads "Shimmerman Penn LLP". The signature is written in a cursive, flowing style.

Shimmerman Penn LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

August 13, 2021

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF OPERATIONS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

	2020	Year ended January 31 2020
REVENUES		
Donations, contributions and sponsorships	\$ 166,324	\$ 804,747
Grants (note 8)	304,499	517,823
Ticket sales and admissions	8,340	496,693
Rental	-	64,258
Advertising and other income	-	105,466
	479,163	1,988,987
EXPENDITURES		
Events Costs (note 9)	134,031	1,370,080
Salaries and related benefits	133,195	168,591
Advertising and promotion	55,185	328,008
Professional fees	18,644	13,879
Amortization	17,354	8,865
Occupancy costs	15,206	24,369
Interest on long-term debt	14,498	12,704
Office and general	10,043	25,837
Interest and bank charges	3,284	24,040
	401,440	1,976,373
EXCESS OF REVENUES OVER EXPENDITURES BEFORE UNDERNOTED ITEM	77,723	12,614
OTHER INCOME		
Government and other assistance (note 12)	91,113	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ 168,836	\$ 12,614

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF CHANGES IN NET ASSETS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

	2020	Year ended January 31 2020
NET DEFICIENCY, beginning of period	\$ (74,496)	\$ (87,110)
Excess of revenues over expenditures	168,836	12,614
NET ASSETS (NET DEFICIENCY), end of period	\$ 94,340	\$ (74,496)

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

STATEMENT OF CASH FLOWS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

	2020	Year ended January 31 2020
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 168,836	\$ 12,614
Item not affecting cash		
Amortization	17,354	8,865
	186,190	21,479
Change in non-cash operating working capital items		
Accounts receivable	(13,082)	(68,007)
Government assistance receivable (note 12)	(7,486)	-
Prepaid expenses and deposits	(24,260)	76,246
Accounts payable and accrued liabilities	(3,906)	(26,150)
Deferred contributions	10,961	103,070
	(37,773)	85,159
	148,417	106,638
FINANCING ACTIVITIES		
Increase in CEBA loan payable	40,000	-
Increase (decrease) in mortgage payable	(9,520)	318,716
Loans payable to directors	(52,000)	130,000
	(21,520)	448,716
INVESTING ACTIVITY		
Purchase of capital assets	(2,800)	(529,235)
CHANGE IN CASH POSITION	124,097	26,119
CASH, beginning of period	53,543	27,424
CASH, end of period	\$ 177,640	\$ 53,543

See accompanying notes

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

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 December 31, 2020 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.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

(c) **Government assistance**

Government and other grants related to capital assets are accounted for as deferred government assistance and amortized on the same basis as the related capital assets. Government assistance toward current expenses are included in the determination of net income for the period and presented as other income in the Statement of Operations. If there is no reasonable assurance of collection, the recognition of the government assistance is deferred to the period when such assurance can be obtained.

(d) **Donations**

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

(e) **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.

(f) **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 rates and methods are as follows:

Building	4% Declining balance
Locker	4% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance

(g) **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.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

(h) 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.

(i) Cash flows

The organization uses the indirect method of reporting cash flows from operating activities.

(j) 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.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

(k) 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.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

3. CAPITAL ASSETS

			2020	January 31 2020
	Cost	Accumulated amortization	Net	Net
Land	\$ 105,000	\$ -	\$ 105,000	\$ 105,000
Building	413,159	24,459	388,700	404,896
Locker	11,077	656	10,421	10,855
Furniture and fixtures	3,083	1,869	1,214	1,518
Computer equipment	2,800	420	2,380	-
	\$ 535,119	\$ 27,404	\$ 507,715	\$ 522,269

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

4. DEFERRED CONTRIBUTIONS

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

	2020	January 31 2020
Opening balance	\$ 190,070	\$ 87,000
Amounts received or receivable relating to current and future years	379,087	620,893
	(368,126)	(517,823)
	\$ 201,031	\$ 190,070

Balance allocated as follows:

	2020	January 31 2020
Government of Canada	\$ 50,000	\$ 72,500
Province of Ontario	27,641	44,180
City of Toronto	25,000	25,000
Sponsorships	95,000	45,000
Other	3,390	3,390
	\$ 201,031	\$ 190,070

5. LOANS PAYABLE TO DIRECTORS

The loans are from the directors of the organization and are unsecured, non-interesting bearing with no fixed payment terms. The loans are payable on demand.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

6. CEBA LOAN PAYABLE

The organization obtained financing in the amount of \$60,000 through the Canada Emergency Business Account ("CEBA") loan program. The loan is non-interest bearing with no principal repayments required until December 31, 2022.

Loan forgiveness in the amount of \$20,000 is available, provided the outstanding balance is \$60,000 at December 31, 2020, and \$40,000 is paid back between January 1, 2021 and December 31, 2022.

If the balance is not repaid by December 31, 2022, the remaining balance will be converted to a three year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

The amounts were used for current operations in the fiscal year and management expects that the loan will be paid back by December 31, 2022. Therefore, the company has recognized the \$20,000 forgivable portion of the loan as government and other assistance income in the statement of operations.

7. MORTGAGE PAYABLE

	2020	January 31 2020
Mortgage loan bearing interest at 5.03%, payable in monthly installments of \$2,183 (principal and interest) and due on March 28, 2024. The loan is secured against the respective property.	\$ 309,196	\$ 318,716
Less current portion	10,899	10,408
Due beyond one year	\$ 298,297	\$ 308,308
Estimated principal repayments are as follows:		
2021	\$ 10,899	
2022	11,460	
2023	12,049	
2024	274,788	
	\$ 309,196	

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JANUARY 1, 2020 TO DECEMBER 31, 2020

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.

	2020	January 31 2020
Province of Ontario	\$ 147,756	\$ 266,805
Government of Canada	131,743	226,018
Municipal	25,000	25,000
	\$ 304,499	\$ 517,823

9. EVENT COSTS

Details of costs related to various events held during the year are as follows:

	2020	January 31 2020
Artist fees	\$ 55,274	\$ 387,029
Production costs	47,519	383,002
Venue rental	7,492	170,612
Event related food and drinks	3,556	139,391
Travel and transportation	9,389	123,521
Operations and logistics	8,856	90,432
Accommodations	1,945	76,093
	\$ 134,031	\$ 1,370,080

Event related food and drinks refers to food and refreshments served and sold at events.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

10. RELATED PARTY TRANSACTIONS

Total contributions made by senior management and members of the Board of Directors for the year was \$12,820 (2020 - \$16,480). These contributions consisted of cash donations, sponsorships, ticket purchases and other items.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

11. 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) 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.

(b) 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.

(c) 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.

IRANIAN-CANADIAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 1, 2020 TO DECEMBER 31, 2020

12. COVID-19

Countries around the world continue to be affected by the COVID-19 virus, which was declared a pandemic by the World Health Organization on March 11, 2020. This pandemic has placed restrictive boundaries on how businesses can operate, requiring social distancing measures and at times, closures of non-essential businesses. While the organization continues to operate, it is unclear what the continuing financial impact the pandemic will be on business going forward.

The organization has applied for the following government assistance available under Canada's COVID-19 Economic Response Plan:

- (i) Canada Emergency Rent Subsidy in the amount of \$3,321 (2020 - nil) which is recorded in the Statement of Operations. Government assistance receivable includes an amount of \$2,192 (2020 - nil) for this claim and was received subsequent to year end.
 - (ii) Canada Emergency Wage Subsidy in the amount of \$67,792 (2020 - nil) which is recorded in the Statement of Operations. Government assistance receivable includes an amount of \$5,294 (2020 - \$21,487) for this claim and was received subsequent to year end.
 - (iii) Canada Emergency Business Account loan as described in note 6.
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