

**TIRGAN CENTRE FOR ART
AND CULTURE**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 16

INDEPENDENT AUDITORS' REPORT

To: The board of directors of
Tirgan Centre for Art and Culture

Qualified Opinion

We have audited the financial statements of Tirgan Centre for Art and Culture, which comprise the statement of financial position as at December 31, 2022, 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 December 31, 2022, 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.

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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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 17, 2023

TIRGAN CENTRE FOR ART AND CULTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 521,550	\$ 425,643
Accounts receivable	87,953	69,208
Prepaid expenses and deposits	28,864	24,260
	638,367	519,111
LONG TERM		
Capital assets (note 3)	486,507	507,556
	\$ 1,124,874	\$ 1,026,667
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 14,593	\$ 14,607
Deferred contributions (note 4)	124,583	84,014
Loans payable to directors (note 5)	58,000	58,000
Current portion of loan payable (note 6)	18,534	10,475
Current portion of mortgage payable (note 7)	12,049	11,460
	227,759	178,556
LONG TERM		
Loan payable (note 6)	220,991	239,525
Mortgage payable (note 7)	274,788	286,837
	495,779	526,362
	723,538	704,918
FUND BALANCES		
NET ASSETS	401,336	321,749
	\$ 1,124,874	\$ 1,026,667

APPROVED ON BEHALF OF THE BOARD

_____ *Member* _____ *Member*

TIRGAN CENTRE FOR ART AND CULTURE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUES		
Grants	\$ 664,071	\$ 521,152
Donations, contributions and sponsorships	296,356	164,939
Ticket sales and admissions	222,595	292
Advertising and other income	40,845	6,982
Rental	11,770	-
	1,235,637	693,365
EXPENDITURES		
Events Costs (note 9)	547,118	200,593
Salaries and related benefits	383,622	244,512
Advertising and promotion	152,847	66,222
Professional fees	59,419	42,610
Interest on long-term debt	30,310	14,913
Office and general	23,900	6,630
Amortization	21,049	19,880
Occupancy costs	18,722	17,785
Interest and bank charges	2,462	2,307
	1,239,449	615,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE UNDERNOTED ITEM	(3,812)	77,913
OTHER INCOME		
Government and other assistance	83,399	149,496
EXCESS OF REVENUES OVER EXPENDITURES	\$ 79,587	\$ 227,409

See accompanying notes

TIRGAN CENTRE FOR ART AND CULTURE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
NET ASSETS, beginning of year	\$ 321,749	\$ 94,340
Excess of revenues over expenditures	79,587	227,409
NET ASSETS, end of year	\$ 401,336	\$ 321,749

See accompanying notes

TIRGAN CENTRE FOR ART AND CULTURE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 79,587	\$ 227,409
Item not affecting cash		
Amortization	21,049	19,880
	100,636	247,289
Change in non-cash operating working capital items		
Accounts receivable	(18,745)	16,396
Prepaid expenses and deposits	(4,604)	-
Government assistance receivable (note 12)	-	7,486
Accounts payable and accrued liabilities	(14)	(5,533)
Deferred contributions	40,569	(117,017)
Loans payable to directors	-	(80,000)
	17,206	(178,668)
	117,842	68,621
FINANCING ACTIVITIES		
Increase (decrease) in loan payable	(10,475)	250,000
Decrease in CEBA loan payable	-	(40,000)
Decrease in mortgage payable	(11,460)	(10,899)
	(21,935)	199,101
INVESTING ACTIVITY		
Purchase of capital assets	-	(19,719)
CHANGE IN CASH POSITION	95,907	248,003
CASH, beginning of year	425,643	177,640
CASH, end of year	\$ 521,550	\$ 425,643

See accompanying notes

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. PURPOSE OF THE ORGANIZATION

Tirgan Centre for Art and Culture("TCAC") 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.

TCAC 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, 2022 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 biennial 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.

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

(h) Capital management

Tirgan 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.

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

3. CAPITAL ASSETS

	2022		2021	
	Cost	Accumulated amortization	Net	Net
Land	\$ 105,000	\$ -	\$ 105,000	\$ 105,000
Building	413,159	54,933	358,226	373,152
Locker	11,077	1,473	9,604	10,004
Furniture and fixtures	3,083	2,306	777	971
Computer equipment	22,521	9,621	12,900	18,429
	\$ 554,840	\$ 68,333	\$ 486,507	\$ 507,556

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:

	2022		2021	
Opening balance	\$ 84,014		\$ 201,031	
Amounts received or receivable to current and future years	704,640		404,135	
Amounts recognized as revenue in the year	(664,071)		(521,152)	
	\$ 124,583		\$ 84,014	

Balance allocated as follows:

	2022		2021	
Government of Canada	\$ 13,500		\$ -	
Province of Ontario	111,083		55,624	
Sponsorships	-		25,000	
Other	-		3,390	
	\$ 124,583		\$ 84,014	

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

6. **LOAN PAYABLE**

	2022	2021
Term loan bearing interest at 4.0%, payable interest only until May 1, 2022 and then monthly installments of \$2,314 (principal and interest) and due on April 1, 2031. The loan is secured against all of the assets of the organization.	\$ 239,525	\$ 250,000
Less current portion	18,534	10,475
Due beyond one year	\$ 220,991	\$ 239,525
Estimated principal repayments are as follows:		
2023	\$ 18,534	
2024	19,289	
2025	20,075	
2026	20,893	
2027	21,744	
Subsequent years	138,990	
	\$ 239,525	

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

7. MORTGAGE PAYABLE

	2022	2021
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.	\$ 286,837	\$ 298,297
Less current portion	12,049	11,460
Due beyond one year	\$ 274,788	\$ 286,837
Estimated principal repayments are as follows:		
2023	\$ 12,049	
2024	12,670	
2025	13,322	
2026	14,008	
2027	14,729	
Subsequent years	220,059	
	\$ 286,837	

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.

	2022	2021
Province of Ontario	\$ 463,170	\$ 196,889
Government of Canada	165,901	274,263
Municipal	25,000	50,000
Other	10,000	-
	\$ 664,071	\$ 521,152

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

9. EVENT COSTS

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

	2022	2021
Artist fees	\$ 187,576	\$ 74,590
Production costs	162,514	91,022
Venue rental	54,657	17,050
Event related food and drinks	68,835	7,108
Travel and transportation	47,576	1,177
Operations and logistics	16,480	9,646
Accommodations	9,480	-
	\$ 547,118	\$ 200,593

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

10. RELATED PARTY TRANSACTIONS

Total contributions made by senior management and members of the Board of Directors for the year was \$3,000 (2021 - \$12,820). 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.

TIRGAN CENTRE FOR ART AND CULTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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) **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.

(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) **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. The organization is not exposed to currency risk or other price risk.

(d) **Interest rate risk**

The organization is exposed to interest rate risk due to the fixed rate interest on their long-term debt.
