
DANCE SASKATCHEWAN INCORPORATED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



Vantage
CHARTERED PROFESSIONAL ACCOUNTANTS

DANCE SASKATCHEWAN INCORPORATED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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MANAGEMENT REPORT

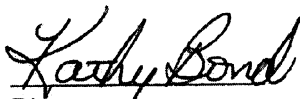
Dance Saskatchewan Incorporated Report of Management

Management has the responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles in making objective judgements and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

Ultimate responsibility for the financial statements to members lies with the board of directors.

Vantage, an independent firm of Chartered Professional Accountants, is appointed by the board as external auditors to audit the financial statements. The external auditors report directly to the board and their report follows. The external auditors have full and free access to the board of directors to discuss their audit and their findings as to the integrity of the organization's financial reporting and the adequacy of the system of internal controls.


Director

May 5, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dance Saskatchewan Incorporated
Saskatoon, Saskatchewan

Qualified Opinion

We have audited the accompanying financial statements of the Dance Saskatchewan Incorporated, which comprise the statement of financial position as at September 30, 2019, 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 matter discussed in the Basis for Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Dance Saskatchewan Incorporated as at September 30, 2019, 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 Qualified Opinion

In common with many charitable organizations, Dance Saskatchewan Incorporated derives revenue from donations and fund-raising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, assets and net assets.

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 Dance Saskatchewan Incorporated 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.

Emphasis of Matter

We draw attention to Note 10 to the financial statements which describes the uncertainty related to the going concern of Dance Saskatchewan Incorporated. Matters set forth in Note 10 indicate the existence of a material uncertainty that may cast significant doubt about the organization's ability to continue as a going concern. Our opinion is not modified in respect of 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 Dance Saskatchewan Incorporated'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.

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 judgement 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.

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 logo for Vantage Chartered Professional Accountants, featuring the word "Vantage" in a stylized, cursive script font.

Chartered Professional Accountants

North Battleford, Saskatchewan
May 5, 2020

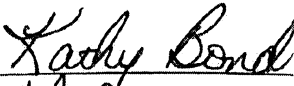
DANCE SASKATCHEWAN INCORPORATED

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019


ASSETS

	<u>2019</u>	<u>2018</u> (Restated)
CURRENT ASSETS		
Cash	\$ 134,304	\$ 278,816
Short term investments (Note 3)	100	141,580
Accounts receivable	32,507	12,199
Prepaid expenses	<u>38,377</u>	<u>17,598</u>
	<u>205,288</u>	<u>450,193</u>
TANGIBLE CAPITAL ASSETS (Note 4)	438,298	633,573
Less accumulated amortization	<u>213,135</u>	<u>(521,063)</u>
	<u>225,163</u>	<u>112,510</u>
	<u>\$ 430,451</u>	<u>\$ 562,703</u>

APPROVED ON BEHALF OF THE BOARD



Director



Director

See accompanying notes

DANCE SASKATCHEWAN INCORPORATED

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u> (Restated)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>61,639</u>	\$ <u>23,459</u>
TOTAL LIABILITIES	<u>61,639</u>	<u>23,459</u>
NET ASSETS		
Unrestricted	102,849	385,934
Internally restricted (Note 5)	40,800	40,800
Invested in tangible capital assets	<u>225,163</u>	<u>112,510</u>
	<u>368,812</u>	<u>539,244</u>
	<u>\$ 430,451</u>	<u>\$ 562,703</u>

See accompanying notes

DANCE SASKATCHEWAN INCORPORATED

STATEMENT OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u> (Restated)
REVENUE		
Saskatchewan Lotteries Trust Fund grant	\$ 410,000	\$ 410,000
Advertising	68	100
Donations and fundraising	2,255	19,682
Events	6,692	4,439
Floor rental and floor tape sales	6,032	5,878
Gain (loss) on sale of tangible capital assets	(67,752)	
Interest	3,459	619
Memberships	13,033	8,343
Program	41,386	
Tenant and studio rent	103,750	128,440
Other	964	371
Other grants	6,576	2,599
Workshops	<u>11,721</u>	<u>17,388</u>
	<u>538,184</u>	<u>597,859</u>
EXPENSES (Note 11)		
Administration	610,106	499,020
Programs and events	75,995	45,614
Targeted initiatives		6,298
Workshops	<u>22,515</u>	<u>31,835</u>
	<u>708,616</u>	<u>582,767</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ (170,432)</u>	<u>\$ 15,092</u>

See accompanying notes

DANCE SASKATCHEWAN INCORPORATED

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>UNRESTRICTED</u>	<u>INTERNALLY RESTRICTED</u>	<u>INVESTED IN CAPITAL ASSETS</u>	<u>2019</u>	<u>2018</u> (Restated)
NET ASSETS					
at beginning of year	\$ 385,934	\$ 40,800	\$ 112,510	\$ 539,244	\$ 524,152
Excess (deficit) of revenue over expenses	(146,455)		(23,977)	(170,432)	15,092
Investment in tangible capital assets	136,631		(136,631)	NIL	
TRANSFERS	<u>(273,261)</u>	_____	<u>273,261</u>	<u>NIL</u>	_____
NET ASSETS					
at end of year	<u>\$ 102,849</u>	<u>\$ 40,800</u>	<u>\$ 225,163</u>	<u>\$ 368,812</u>	<u>\$ 539,244</u>

See accompanying notes

DANCE SASKATCHEWAN INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u> (Restated)
CASH USED BY OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses	\$ (170,432)	\$ 15,092
Items not requiring cash		
Amortization	<u>23,977</u>	<u>36,654</u>
	<u>(146,455)</u>	<u>51,746</u>
Net change in non-cash working capital		
Decrease (increase) in receivables	(41,085)	21,100
Increase (decrease) in payables	<u>38,179</u>	<u>(227,583)</u>
	<u>(2,906)</u>	<u>(206,483)</u>
	<u>(149,361)</u>	<u>(154,737)</u>
CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of tangible capital assets	(136,631)	(14,024)
Decrease (increase) in investments	<u>141,480</u>	<u>(952)</u>
	<u>4,849</u>	<u>(14,976)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(144,512)	(169,713)
CASH AND CASH EQUIVALENTS		
at beginning of year	<u>278,816</u>	<u>448,529</u>
CASH AND CASH EQUIVALENTS		
at end of year	<u>\$ 134,304</u>	<u>\$ 278,816</u>

See accompanying notes

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. NATURE OF OPERATIONS

Dance Saskatchewan Incorporated is a non-profit charitable corporation located in Saskatoon, Saskatchewan, with a mandate to support, develop and improve the art of dance in the province. The organization is also a registered charity within the meaning of the Income Tax Act (Canada) and as such, is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are described below.

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with Canadian financial institutions.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization is provided on the straight-line basis at rates designed to amortize the cost of assets over their estimated useful lives. Amortization terms are as follows:

	<u>Years</u>
Equipment	3 and 5
Flooring	10
Library and resources	10
Leasehold improvements	15

(c) Revenue Recognition

Rentals, memberships and other operating revenues are recognized as revenue in the year to which they relate when the service has been provided and collectibility is reasonably assured.

The organization 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. Restricted contributions related to general operations and administration are recognized as revenue in the year in which the related expenses are incurred.

(d) Donated Goods or Services

Donated goods or services are recorded at fair value when a fair value can be reasonably estimated, the goods or services are used in the normal course of operations and would otherwise have been purchased.

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Contributed Services

Volunteers contribute numerous hours per year to assist the organization in carrying out its service delivery and assisting with administration and programs. Because of the difficulty of determining fair value, contributed services, are not recognized in these financial statements.

(f) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

The fair value of a financial instrument is the estimated amount that the organization would receive or pay to settle a financial asset or liability as at the reporting date.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their nature or capacity for prompt liquidation.

The organization manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its risk management policy. The objective of the policy is to ensure liquidity and availability of cash for operations.

(g) Measurement Uncertainty

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The most significant estimate in these financial statements is the estimated useful lives of tangible capital assets.

3. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Short term		
Artwork	\$ 100	\$ 100
Term deposit		100,000
TD Canada Trust - GIC at 2.35%, due April 2019	_____	<u>41,480</u>
	<u>\$ 100</u>	<u>\$ 141,580</u>

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

4. TANGIBLE CAPITAL ASSETS

		2019		2018
	Cost	Accumulated amortization	Net	Net
Equipment	\$ 117,556	\$ 111,382	\$ 6,174	\$ 13,066
Flooring				5,800
Library and resources	86,478	86,135	343	457
Leasehold improvements	<u>234,264</u>	<u>15,618</u>	<u>218,646</u>	<u>93,187</u>
	<u>\$ 438,298</u>	<u>\$ 213,135</u>	<u>\$ 225,163</u>	<u>\$ 112,510</u>

5. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consists of four designated reserve accounts. There are no externally imposed restrictions on these net assets and no funds have been physically segregated for these stated purposes.

The first reserve account, the Dance and the Child International (DACI) fund, is to be used for Dance and the Child International/World of Dance Alliance (DACI/WDA) conference travel costs. The board has approved an internal segregation of net assets, excluding those derived from grants, for this purpose. Every three years contributions of \$3,500 are made to accumulate funds for costs. The ending balance in this reserve account is \$7,000 (2018 - \$7,000).

The second reserve account, the General Reserve, is a contingency fund which will be capped at an amount equal to six months of operating costs. The ending balance in this reserve account is \$3,000 (2018 - \$3,000).

The third reserve account, the Building Fund, is intended to accumulate in order to allow the organization to build a facility upon the completion of their building lease. The ending balance in this reserve account is \$20,800 (2018 - \$20,800).

The fourth reserve account, the Silent Survivor Reserve, is intended to accumulate until future filming is planned to resume on the production of Silent Survivors. The ending balance in this reserve account is \$10,000 (2018 - \$10,000).

6. CAPITAL MANAGEMENT

The organization's capital is comprised of unrestricted, internally restricted and investment in tangible capital assets. The organization's objectives when managing capital are to ensure sustainable program delivery through asset preservation of investments including tangible capital assets. The organization budgets annually and plans for sufficient net assets to meet operating requirements. Except as otherwise described in these financial statements, the organization is not subject to significant capital requirements or restrictions.

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

7. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments as follows:

(a) Credit Risk

The organization grants credit to some of its customers in the normal course of operations. In the opinion of management, there is no significant concentration of credit risk.

(b) Interest Rate Risk

The organization in the normal course of operations is exposed to interest rate risk on its fixed interest rate financial instruments. Interest rates and maturity dates of those financial instruments are disclosed in note 3.

8. ECONOMIC DEPENDENCE

The organization receives a major portion of its revenues from the Saskatchewan Lotteries Trust Fund accounting for 61% of revenue in the current year. The funding agreement was renewed for September 30, 2019 and expires September 30, 2020.

9. COMPARATIVE FIGURES

Certain comparative figures may have been reclassified to conform with the current period's financial statement presentation.

10. GOING CONCERN

Current cash flows remain positive, however cash resources have decreased 52% (\$144,512) in fiscal 2019 after declining 38% (\$169,713) in fiscal 2018. Investments have been fully liquidated. Members of board and key management personnel resignations have occurred subsequent to year end. The board signed a new building lease agreement of \$167,200 per year on a 15 year commitment plus potential operating cost obligations where no sublease arrangements are found. Coinciding with the new building lease is the actual and potential further loss of customers for studio rental due to the new location and inadequate flooring for dance. These indicators individually and together indicate that the ability for Dance Saskatchewan Incorporated to be able to continue as a going concern is an issue.

The board of directors and management are working with SaskCulture Inc. in regards to an organizational plan going forward. Management has developed a monthly cash flow plan.

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

11. EXPENSES BY OBJECT

	<u>2019</u>	<u>2018</u> (Restated)
Advertising	\$ 8,334	\$ 3,575
Administration	2,518	10,900
Amortization	23,977	36,654
Artistic programming	450	24,891
Bank charges and interest	3,249	2,024
Board recognition and development	1,839	2,792
Contracts	30,664	5,950
Equipment repairs	848	1,505
Floor tape	1,143	1,143
Fundraising	719	1,583
Grants	20,000	16,804
Honorariums	150	18,828
Insurance	9,341	8,577
Meals	639	5,158
Memberships	4,968	4,445
Member services	199	1,016
Office	3,262	7,955
Performance fees	460	7,400
Production costs		3,517
Professional fees	8,224	13,020
Rent and occupancy	263,464	89,765
Special projects	39,232	11,156
Sponsorships	350	15,089
Supplies	5,612	9,218
Telephone	8,026	6,129
Travel	6,426	10,896
Wages and employee benefits	238,756	252,545
Website development and maintenance	3,251	7,006
Workshops	<u>22,515</u>	<u>3,226</u>
	<u>\$ 708,616</u>	<u>\$ 582,767</u>

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

12. LEASE OBLIGATIONS

On January 4th, 2019 Dance Saskatchewan Incorporated signed an amended operating lease agreement from the original agreement signed August 1, 2018 with 102055626 Saskatchewan Ltd. to lease 309 Fairmont Drive in Saskatoon, Saskatchewan. The lease agreement is for use of the premise plus costs for fifteen years with monthly lease payments as follows:

January 1, 2019 to January 31, 2020	\$ 13,933
February 1, 2020 to January 31, 2021	17,600
February 1, 2021 to January 31, 2022	19,067
February 1, 2022 to January 31, 2025	20,533
February 1, 2025 to January 31, 2028	22,000
February 1, 2028 to January 31, 2031	23,467
February 1, 2031 to January 31, 2034	24,933

On June 1, 2019 Dance Saskatchewan Inc. signed a settlement agreement and mutual release with 101044601 Saskatchewan Ltd. for the right to use 205A Pacific Avenue in Saskatoon, Saskatchewan. Dance Saskatchewan Inc. agreed to pay \$31,825 to terminate the agreement early. \$15,925 was paid during the 2019 fiscal period, with \$15,900 still required to be paid on March 20, 2020. \$9,630 rent deposit was also not retained by the organization and was expensed during the year. Related leaseholds are no longer owned by the organization as a result and have been disposed of in the current fiscal year. As at the report date all liabilities to 101044601 Saskatchewan Ltd. have been paid in full.

13. RELATED PARTIES

Board members and the previous executive director have hired non-arm's length employees for services provided to Dance Saskatchewan. These transactions are in the normal course of operations and are measured at the exchange amount agreed to by the parties.

For the 2019 fiscal year-end the following related party transactions were noted:

	<u>2019</u>
Matt Mirlin (son of past executive director)	\$ 1,600
Mike Mirlin (son of past executive director)	22,758
Brent Okrainetz (husband of board member)	2,453

DANCE SASKATCHEWAN INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

14. PRIOR PERIOD ADJUSTMENT

During the year, management identified an error concerning an absent prepaid expense. The 2018 comparative figures have been restated as follows:

	<u>Previous</u>	<u>Change</u>	<u>Restated</u>
Prepaid expenses	\$ 9,630	\$ 7,968	\$ 17,598
Administration expenses	506,988	(7,968)	499,020
Net Income	7,124	7,968	15,092
Net Assets	531,276	7,968	539,244

15. SUBSEQUENT EVENT

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The extent of COVID19's effect on the Dance Saskatchewan Incorporated's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict. The rapid development and fluidity of this situation make it impossible to ascertain the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Dance Saskatchewan Incorporated, its performance, and its financial results.