

**Ottawa School of Art/  
École d'art d'Ottawa**



**Financial Statements**  
For the year ended August 31, 2023



**Ottawa School of Art/  
École d'art d'Ottawa**  
**Financial Statements**  
For the year ended August 31, 2023

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## **Independent Auditor's Report**

**To the Members of  
Ottawa School of Art/École d'art d'Ottawa  
and to the Superintendent of Private Career Colleges**

### Qualified Opinion

We have audited the financial statements of Ottawa School of Art/École d'art d'Ottawa, which comprise the statement of financial position as at August 31, 2023, and the statements of changes in net assets, operations 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 School as at August 31, 2023, 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 charitable organizations, the school derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the school. Our opinion on the financial statements for the year ended August 31, 2022 was also qualified because of the possible effects of this limitation in scope. Therefore we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenue over expenses for the years ended August 31, 2023 and 2022, assets as at August 31, 2023 and 2022, and excess net assets at both the beginning and end of the August 31, 2023 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the School 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 School'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 School or to cease operations, or has no realistic alternative but to do so.

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

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

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
November 9, 2023  
Ottawa, Ontario

**Ottawa School of Art/  
École d'art d'Ottawa  
Statement of Financial Position**

**August 31** **2023** **2022**

**Assets**

**Current**

Cash (Note 2)	\$	<b>186,304</b>	\$	137,891
Short-term investments (Note 3)		<b>380,000</b>		400,000
Accounts receivable (Note 8)		<b>54,389</b>		65,193
Inventory		<b>12,515</b>		16,822
Prepaid expenses		<b>44,347</b>		46,531

**677,555** **666,437**

**Term fund (Note 4)** **5,000** **5,000**

**Tangible capital assets (Note 5)** **12,707** **16,407**

**Intangible asset (Note 6)** **580** **2,755**

**\$ 695,842** **\$ 690,599**

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities	\$	<b>142,850</b>	\$	145,927
Government remittances payable		<b>9,067</b>		17,167
Deferred revenue (Note 7)		<b>312,004</b>		236,019
Deferred contributions (Note 8)		<b>55,711</b>		76,475

**519,632** **475,588**

**Deferred contributions related to tangible capital assets and intangible asset** **-** **2,860**

**519,632** **478,448**

**Net assets**

Invested in tangible capital assets and intangible asset	<b>13,287</b>	16,302
Internally restricted for scholarships (Note 10)	<b>18,902</b>	-
Internally restricted for other obligations	<b>60,000</b>	60,000
Unrestricted	<b>84,021</b>	135,849

**176,210** **212,151**

**\$ 695,842** **\$ 690,599**

Approved on behalf of the board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Ottawa School of Art/  
École d'art d'Ottawa  
Statement of Changes in Net Assets**

**For the year ended August 31**

	<b>Internally Restricted for Other Obligations</b>	<b>Invested in Tangible Capital Assets and Intangible Asset</b>	<b>Internally Restricted for Scholarships</b>	<b>Unrestricted</b>	<b>Total 2023</b>	<b>Total 2022</b>
<b>Balance, beginning of year</b>	\$ 60,000	\$ 16,302	\$ -	\$ 135,849	\$ 212,151	\$ 253,787
Deficiency of revenue over expenses for the year	-	(5,183)	-	(30,758)	<b>(35,941)</b>	(41,636)
Purchase of tangible capital assets	-	2,168	-	(2,168)	-	-
Interfund transfer (Note 10)	-	-	18,902	(18,902)	-	-
<b>Balance, end of year</b>	<b>\$ 60,000</b>	<b>\$ 13,287</b>	<b>\$ 18,902</b>	<b>\$ 84,021</b>	<b>\$ 176,210</b>	<b>\$ 212,151</b>

**Ottawa School of Art/  
École d'art d'Ottawa  
Statement of Operations**

<b>For the year ended August 31</b>	<b>2023 Actual</b>	(Unaudited) <b>2023 Budget</b>	<b>2022 Actual</b>
<b>Revenue (Schedule 1)</b>	<b>\$ 2,139,256</b>	<b>\$ 2,121,219</b>	<b>\$ 1,845,437</b>
<b>Expenses</b>			
<b>Program expenses</b>			
Instructors	482,238	445,465	394,723
Program coordinators	40,519	51,705	38,813
Outreach	51,188	80,315	28,655
Diploma assurance fund	2,818	2,000	3,942
Model fees	17,261	18,371	18,407
IT technicians	17,600	16,000	15,600
Technicians	149,810	109,854	128,485
Course supplies	88,876	80,000	80,787
Advertising and promotion	48,029	62,500	37,758
Bursaries	16,904	23,513	7,292
Visiting artists	6,279	13,114	2,460
Gallery	37,581	26,479	33,074
Program equipment	1,715	2,000	-
Credit card charges	35,481	34,480	29,717
Environmental waste removal	898	5,000	847
Library	1,182	600	461
Fundraising	23,984	20,000	35,555
Scholarships	16,025	-	-
Interpreter	32,427	-	-
	<b>1,070,815</b>	<b>991,396</b>	<b>856,576</b>

**Ottawa School of Art/  
École d'art d'Ottawa  
Statement of Operations (continued)**

<b>For the year ended August 31</b>	<b>2023</b> <b>Actual</b>	(Unaudited) <b>2023</b> <b>Budget</b>	<b>2022</b> <b>Actual</b>
<b>Overhead expenses</b>			
Administration salaries	<b>564,433</b>	598,231	514,004
Support salaries	<b>109,030</b>	91,251	108,960
Compulsory deductions	<b>62,019</b>	58,606	55,919
Staff development	<b>755</b>	3,000	1,632
Group benefits	<b>25,317</b>	30,000	22,109
Employee benefits	<b>8,357</b>	6,500	6,056
Office	<b>55,014</b>	58,000	44,814
Office equipment	<b>13,275</b>	16,000	16,446
Cost of retail sales	<b>11,868</b>	16,000	14,127
Cost of art sales	<b>13,451</b>	8,125	10,635
Amortization of tangible capital assets and intangible asset	<b>8,044</b>	8,000	10,475
Garbage removal	<b>11,680</b>	15,600	13,146
Professional fees	<b>13,750</b>	12,000	14,079
Insurance	<b>25,973</b>	22,000	19,536
Interest and bank charges	<b>1,118</b>	2,500	1,174
Occupancy costs (Note 9)	<b>139,012</b>	140,500	138,633
Maintenance	<b>41,286</b>	42,000	38,752
	<b>1,104,382</b>	1,128,313	1,030,497
	<b>2,175,197</b>	2,119,709	1,887,073
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (35,941)</b>	<b>\$ 1,510</b>	<b>\$ (41,636)</b>



**Ottawa School of Art/  
École d'art d'Ottawa  
Statement of Cash Flows**

**For the year ended August 31**

**2023**

**2022**

**Cash flows from (used in) operating activities**

Deficiency of revenue over expenses for the year	\$ (35,941)	\$ (41,636)
Adjustments for non-cash items		
Amortization of tangible capital assets and intangible asset	8,044	10,679
Amortization of deferred contribution	(2,851)	(2,851)
	<u>(30,748)</u>	<u>(33,808)</u>
Change in non-cash working capital items		
Accounts receivable	10,804	24,821
Inventory	4,307	(2,216)
Prepaid expenses	2,184	(1,847)
Accounts payable and accrued liabilities	(3,087)	9,334
Government remittances payable	(8,100)	10,981
Deferred revenue	75,985	44,370
Deferred contributions	(20,764)	(36,649)
	<u>30,581</u>	<u>14,986</u>

**Cash flows from (used in) investing activities**

Sale of investments	20,000	45,000
Purchase of capital assets	(2,168)	(5,201)
	<u>17,832</u>	<u>39,799</u>

**Cash flows from (used in) financing activity**

Repayment of loan payable	-	(30,000)
	<u>-</u>	<u>(30,000)</u>

**Increase in cash during the year**

**48,413**      24,785

**Cash and cash equivalents, beginning of year**

**137,891**      113,106

**Cash and cash equivalents, end of year**

**\$ 186,304**      \$ 137,891

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**Ottawa School of Art/  
École d'art d'Ottawa**  
**Notes to the Financial Statements**

**August 31, 2023**

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**1. Significant Accounting Policies**

**Purpose of the Organization**

The objectives of the school are to provide instruction in most aspects of visual art and to stimulate interest in art through exhibitions and special events. The school is incorporated under the laws of Ontario without share capital, is a registered charity under the Income Tax Act and is exempt from income taxes.

**Basis of Presentation**

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant estimates include assumptions used in estimating the useful life and related amortization of capital assets, and provisions for accrued liabilities and certain accounts payable.

**Revenue Recognition**

The school follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Fees and other revenues are recognized when earned and when collection can be reasonably assured.

Art and retail sales are recognized as revenue when ownership of the goods has been transferred to the customer and when collection can be reasonably assured.

All investment income is unrestricted and recognized as revenue when earned.

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**Ottawa School of Art/  
École d'art d'Ottawa**  
**Notes to the Financial Statements**

**August 31, 2023**

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**1. Significant Accounting Policies (continued)**

**Financial Instruments**

Financial instruments are financial assets or liabilities of the school where, in general, the school has the right to receive cash or another financial asset from another party or the school has the obligation to pay another party cash or other financial assets.

*Measurement of arm's length financial instruments*

The school initially measures its arm's length financial assets and liabilities at fair value.

The school subsequently measures arm's length financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Arm's length financial assets and financial liabilities measured at amortized cost include cash, investments, accounts receivable, and accounts payable and accrued liabilities.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in the excess of revenue over expenses.

*Transaction costs*

The school recognizes its transaction costs in the excess of revenue over expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Inventory**

Inventory for resale has been recorded at the lower of cost or net realizable value and is recognized on a first in first out basis.

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**Ottawa School of Art/  
École d'art d'Ottawa  
Notes to the Financial Statements**

**August 31, 2023**

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**1. Significant Accounting Policies (continued)**

**Tangible Capital Assets** Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets with a cost less than \$1,000 are expensed. Amortization is based on the estimated useful life of the asset and is provided as follows:

Computer equipment	Straight-line	5 years
Furniture and equipment	Straight-line	5-7 years
Leasehold improvements	Straight-line	7 years

One-half of the above rates is used in the year of acquisition.

**Intangible Assets** Intangible assets acquired are initially recognized and measured at cost. Intangible assets are tested for impairment when an event or circumstance indicates a potential impairment. When the carrying amount of an intangible asset exceeds its fair value, an impairment charge is recognized by the excess and is reported as a separate line item in the income statement.

Database system	Straight-line	5 years
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**Contributed Materials** Contributed materials which are used in the normal course of the school's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

**Internally Restricted Net Assets** A portion of the school's net assets has been restricted in accordance with specific directives as approved by the school's board of directors. The purpose of each is as follows:

Invested in tangible capital assets and intangible asset

Invested in tangible capital assets and intangible asset comprises the net book value of capital assets less deferred contributions related to capital assets.

Internally restricted for scholarships

Designated to be provided to students in the form of scholarships.

Internally restricted for other obligations

Designated for other obligations of the school to be used at the discretion of the board of directors.

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**Ottawa School of Art/  
École d'art d'Ottawa**  
**Notes to the Financial Statements**

**August 31, 2023**

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**2. Cash**

The school's bank accounts are held at a chartered bank.

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**3. Investments**

Investments consist of guaranteed investment certificates which earn interest at variable rates based on the bank's prime rate less a percentage (2022 - 1.80% to 3.20%) per annum and mature by June 2024. At the time of investment, the rates were 4.25% to 4.70%.

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**4. Term Fund**

Term fund represents funds invested through the Community Foundation of Ottawa. Funds will be invested for a period of five years beginning in fiscal 2019.

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**5. Tangible Capital Assets**

	2023		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,865	\$ 2,525	\$ 6,340
Furniture and equipment	23,595	20,192	3,403
Leasehold improvements	8,819	5,855	2,964
	\$ 41,279	\$ 28,572	\$ 12,707

	2022		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 23,782	\$ 18,055	\$ 5,727
Furniture and equipment	118,269	111,739	6,530
Leasehold improvements	95,565	91,415	4,150
	\$ 237,616	\$ 221,209	\$ 16,407

During the year, the school wrote off \$240,290 (2022 - \$nil) of fully amortized assets.

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**Ottawa School of Art/  
École d'art d'Ottawa  
Notes to the Financial Statements**

**August 31, 2023**

**6. Intangible Asset**

	<b>2023</b>			<b>2022</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Database system	<b>\$ 58,041</b>	<b>\$ 57,461</b>	<b>\$ 580</b>	<b>\$ 2,755</b>

**7. Deferred Revenue**

Deferred revenue represents tuition fees received in advance for the subsequent fiscal year's programs.

**8. Deferred Contributions**

Deferred contributions represent restricted operating funds received in the current period that relates to a subsequent period.

Broken down as follows:

	<b>2023</b>		<b>2022</b>
Outreach program	<b>\$ 19,571</b>	<b>\$ 19,228</b>	<b>19,228</b>
Grants - City of Ottawa	<b>10,000</b>	<b>20,000</b>	<b>20,000</b>
Scholarships and bursaries	<b>10,805</b>	<b>32,953</b>	<b>32,953</b>
Yih Lerh Huang Fund	<b>4,855</b>	<b>4,294</b>	<b>4,294</b>
Grants - Trillium Foundation	<b>10,480</b>	<b>-</b>	<b>-</b>
	<b>\$ 55,711</b>	<b>\$ 76,475</b>	

	Balance, beginning of year	Received during the year	Receivable at year-end	Recognized as revenue during the year	<b>Balance, end of year</b>
Government Grants	\$ 20,000	\$ 551,655	\$ 4,363	\$ (551,174)	<b>\$ 20,480</b>
Other	56,475	74,472	-	(95,716)	<b>35,231</b>
	<b>\$ 76,475</b>	<b>\$ 626,127</b>	<b>\$ 4,363</b>	<b>\$ (646,890)</b>	<b>\$ 55,711</b>

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**Ottawa School of Art/  
École d'art d'Ottawa  
Notes to the Financial Statements**

**August 31, 2023**

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**9. Occupancy Costs**

Occupancy costs include an estimate for rent and other occupancy expenses contributed by the City of Ottawa in the amount of \$122,700 (2022 - \$122,700). The corresponding revenue is included in Operation and Facilities City of Ottawa grant revenue in the amount of \$122,700 (2022 - \$122,700).

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**10. Interfund Transfer**

During the year, the Board approved a transfer from unrestricted net assets to internally restricted for scholarships in the amount of \$18,902.

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**11. Financial Instruments Risks and Concentrations**

The school is exposed to various risks through its financial instruments. The following analysis provides a measure of the school's risk exposure and concentrations as at August 31, 2023.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The school is exposed to this credit risk mainly in respect of its accounts receivable.

*Liquidity risk*

Liquidity risk is the risk that the school will encounter difficulty in meeting obligations associated with financial liabilities. The school is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

*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 school is mainly exposed to interest rate risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The school is exposed to future cash flows risk on its investments with variable interest rates.

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**Ottawa School of Art/  
École d'art d'Ottawa  
Notes to the Financial Statements**

**August 31, 2023**

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**11. Financial Instruments Risks and Concentrations (continued)**

*Changes in risk*

The school is now exposed to future cash flows risk on its investments with variable interest rates, which had fixed rates at the previous fiscal year-end. There have been no other significant changes in the school's risk exposures from the previous fiscal year.

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**12. Comparative Amounts**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net assets.

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**Ottawa School of Art/  
École d'art d'Ottawa  
Schedule 1 - Revenue**

<b>For the year ended August 31</b>	<b>2023 Actual</b>	(Unaudited) 2023 Budget	2022 Actual
Tuition fees	\$ 1,082,645	\$ 1,020,744	\$ 858,288
Less: Discounts	<u>1,800</u>	<u>1,750</u>	<u>1,500</u>
Total tuition	<b>1,080,845</b>	1,018,994	856,788
Membership fees	<b>58,025</b>	56,141	51,675
Supplement fees	<b>135,045</b>	141,546	103,805
Model fees	<b>28,475</b>	20,514	20,065
Administration fees	<b>4,775</b>	2,600	3,760
Arts sales commissions	<b>25,194</b>	12,500	17,640
Retail sales	<b>17,734</b>	23,000	15,106
Operations & facilities City of Ottawa grant	<b>509,217</b>	550,000	504,895
Grants - outreach	<b>51,188</b>	80,315	28,655
Grants - other	<b>59,378</b>	85,224	92,906
Government subsidy	-	-	2,195
Scholarship donations	<b>34,927</b>	-	-
Fundraising	<b>77,249</b>	71,013	100,966
Amortization of deferred contributions	<b>2,851</b>	-	2,851
HST collected	<b>35,277</b>	29,372	29,488
Miscellaneous	<u>19,076</u>	<u>30,000</u>	<u>14,642</u>
	<b>\$ 2,139,256</b>	<b>\$ 2,121,219</b>	<b>\$ 1,845,437</b>