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Financial statements of  
Calgary Centre for  
Performing Arts  
(Operating under the name Arts Commons)

August 31, 2020

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## Independent Auditor's Report

To the Members of  
Calgary Centre for Performing Arts (Operating under the name Arts Commons)

### Opinion

We have audited the financial statements of Calgary Centre for Performing Arts (Operating under the name Arts Commons) ("the Organization"), which comprise the statement of financial position as at August 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2020, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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 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.

## **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 GAAS 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 GAAS, 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 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 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.

*Deloitte LLP*

Chartered Professional Accountants  
November 17, 2020  
Calgary, Alberta

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)  
**Statement of operations and changes in fund balances**  
Year ended August 31, 2020

	Notes	Operating Fund \$	Capital Replacement Fund \$	2020 Total \$	2019 Total \$
<b>Revenue</b>					
Venue operations		3,145,465	—	3,145,465	5,230,922
Programming		846,762	—	846,762	1,986,627
Ticketing services		447,605	—	447,605	913,746
Facility		406,407	—	406,407	550,622
Support services		31,887	—	31,887	39,378
Grants	7 & 9	3,136,964	—	3,136,964	3,122,831
Fundraising	9	584,183	—	584,183	684,174
Deferred contributions	6 & 9	484,342	1,757,349	2,241,691	2,288,797
		<b>9,083,615</b>	<b>1,757,349</b>	<b>10,840,964</b>	14,817,097
<b>Expenses</b>					
Venue operations	2	2,217,457	—	2,217,457	3,244,367
Programming		1,379,974	—	1,379,974	2,363,402
Ticketing services		553,401	—	553,401	741,816
Facility operations		2,368,810	—	2,368,810	2,999,349
Fundraising	9	661,302	—	661,302	1,010,879
Administration	10	1,276,965	—	1,276,965	1,587,650
Amortization of tangible capital assets		—	1,735,940	1,735,940	1,830,236
Marketing and communications		686,529	—	686,529	1,032,984
Investment fees and grants		—	21,409	21,409	20,271
		<b>9,144,438</b>	<b>1,757,349</b>	<b>10,901,787</b>	14,830,954
Deficiency of revenue over expenses		<b>(60,823)</b>	—	<b>(60,823)</b>	(13,857)
Fund balances, beginning of year		<b>1,285,814</b>	—	<b>1,285,814</b>	1,299,671
<b>Fund balances, end of year</b>		<b>1,224,991</b>	—	<b>1,224,991</b>	1,285,814

The accompanying notes are an integral part of the financial statements.

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)

**Statement of financial position**

As at August 31, 2020

	Notes	Operating Fund \$	Capital Replacement Fund \$	2020 Total \$	2019 Total \$
<b>Assets</b>					
Current assets					
Cash		2,345,188	665,800	3,010,988	3,117,775
Accounts receivable	3	1,151,426	64,759	1,216,185	1,085,260
Prepaid expenses		136,611	—	136,611	128,031
Deferred expenses		—	—	—	99,322
Inventory		37,822	—	37,822	46,070
Interfund balances		290,688	(290,688)	—	—
		<b>3,961,735</b>	<b>439,871</b>	<b>4,401,606</b>	4,476,458
Investments	4	—	5,846,057	5,846,057	5,398,984
Tangible capital assets	5	—	23,335,153	23,335,153	22,441,420
		<b>3,961,735</b>	<b>29,621,081</b>	<b>33,582,816</b>	32,316,862
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	3	1,850,086	5,000	1,855,086	3,232,137
Bank indebtedness	10	—	—	—	—
Deferred revenue		187,650	—	187,650	199,211
Current portion of deferred contributions	6	699,008	1,882,156	2,581,164	2,220,282
		<b>2,736,744</b>	<b>1,887,156</b>	<b>4,623,900</b>	5,651,630
Deferred contributions	6	—	27,733,925	27,733,925	25,379,418
		<b>2,736,744</b>	<b>29,621,081</b>	<b>32,357,825</b>	31,031,048
<b>Fund balances</b>					
Internally restricted	8	378,000	—	378,000	378,000
Unrestricted		846,991	—	846,991	907,814
		<b>1,224,991</b>	<b>—</b>	<b>1,224,991</b>	1,285,814
		<b>3,961,735</b>	<b>29,621,081</b>	<b>33,582,816</b>	32,316,862

The accompanying notes are an integral part of the financial statements.

Approved by the Board

Scott Hutcheson , Director

Greg Kudar , Director

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)

**Statement of cash flows**

Year ended August 31, 2020

	2020 \$	2019 \$
<b>Operating activities</b>		
Deficiency of revenue over expenses	(60,823)	(13,857)
Item not affecting cash		
Amortization of tangible capital assets	1,735,940	1,830,236
	<b>1,675,117</b>	1,816,379
Changes in non-cash working capital		
Accounts receivable	(130,925)	4,281,139
Prepaid expenses	(8,580)	(44,896)
Deferred expenses	99,322	70,614
Inventory	8,248	(4,720)
Accounts payable and accrued liabilities	(1,377,051)	(1,444,959)
Deferred revenue	(11,561)	(26,027)
	<b>254,570</b>	4,647,530
<b>Financing activities</b>		
Increase in deferred contributions	4,623,347	3,318,219
Proceeds from bank indebtedness	(510,000)	(1,818,000)
Repayment of bank indebtedness	510,000	738,000
Non-cash item		
Amortization of deferred contributions	(2,241,691)	(2,288,797)
	<b>2,381,656</b>	(50,578)
<b>Investing activities</b>		
Proceeds on disposal of investments	21,409	20,271
Realized gains on investments	(7,886)	(6,636)
Purchase of investments	(126,863)	(154,980)
Purchase of tangible capital assets	(2,629,673)	(4,421,189)
	<b>(2,743,013)</b>	(4,562,534)
Net decrease in cash	(106,787)	34,418
Cash, beginning of year	3,117,775	3,083,357
<b>Cash, end of year</b>	<b>3,010,988</b>	3,117,775

The accompanying notes are an integral part of the financial statements.

## **1. Purpose of the organization**

Calgary Centre for Performing Arts (Operating under the name Arts Commons) ("Arts Commons") is a not-for-profit organization incorporated under the Companies Act of Alberta. Arts Commons is one of North America's largest performing arts facilities with eight venues showcasing music, theatre and dance. The resident companies include Theatre Calgary, Alberta Theatre Projects, Calgary Philharmonic Orchestra, One Yellow Rabbit and Downstage Performance Society. Arts Commons is registered as a Canadian charitable organization under the Income Tax Act and, accordingly, is exempt from income taxes and can issue donation receipts for income tax purposes.

Arts Commons' financial statements are prepared using accounting standards for not-for-profit organizations ("ASNFP") issued by the Accounting Standards Board of Chartered Professional Accountants of Canada ("CPA Canada") and set out in Part III of the CPA Canada Handbook.

## **2. Significant accounting policies**

The financial statements of Arts Commons have been prepared by management in accordance with ASNFP and reflect the following significant accounting policies:

### *Fund accounting*

- (i) The Operating Fund accounts for revenue and expenses related to the operations, program delivery and administration of Arts Commons.
- (ii) The Capital Replacement Fund accounts for revenue and expenses for building improvement and replacement of existing tangible capital assets.

### *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenses as dividends and other distributions.

With respect to financial assets measured at cost or amortized cost, Arts Commons recognizes in the statement of operations and changes in fund balances an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations and changes in fund balances in the period the reversal occurs.

Arts Commons does not enter into any derivative financial instrument arrangements.

## **2. Significant accounting policies (continued)**

### *Revenue recognition*

Arts Commons follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount is fixed or can be reasonably estimated and collection is reasonably assured.

Investment income earned on Capital Replacement Fund resources is restricted for the purchase of tangible capital assets and is recognized as revenue in the Capital Replacement Fund in the year in which the related tangible capital assets are purchased.

Theatre and concert hall revenue and costs are recognized only for programs which have taken place. Revenue received and costs incurred prior to the date of performance are deferred.

### *Donated materials and services*

Donated materials and services are recorded at fair market value if Arts Commons would normally have paid for such materials and services and the fair market value can be determined.

### *Deferred expenses*

Deferred expenses represent fees and expenses associated with certain of Arts Commons' fundraising and programming activities. These charges are amortized on a straight-line basis over the period of benefit or recognized at the conclusion of the related fundraising or programming event.

### *Inventory*

Inventory is recorded at the lower of cost and net realizable value and is relieved from inventory on a first-in, first-out basis. Net realizable value is determined using current estimated selling prices less selling costs. The estimated selling price considers management's best estimate of the most probable set of economic conditions.

Inventory consists of product purchased for resale at events including liquor, beverages, and concessions. The sale of inventory during the year resulted in the recognition of expenses aggregating \$105,023 (\$171,785 in 2019). This is recorded in the statement of operations and changes in fund balances in venue operations expense.

### *Investments*

Investments are recorded at fair value in the statement of financial position as established by the closing bid price for trading on the recognized exchange on which the investment is listed or principally traded. Interest and dividends on investments are recorded on an accrual basis and realized and unrealized gains and losses are restricted and recognized through deferred contributions in the Capital Replacement Fund.

## **2. Significant accounting policies (continued)**

### *Tangible capital assets*

Arts Commons has leased its land and building from The City of Calgary for \$1 per year until 2040. Construction expenses and tenant improvements made by Arts Commons vest with The City of Calgary. The repair, maintenance and capital replacement of the building are solely the responsibility of Arts Commons. Property of every description is insured for \$183 million.

Purchased tangible capital assets are recorded in the appropriate fund at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments that extend the estimated life of an asset are capitalized. When the asset no longer contributes to Arts Commons' ability to provide services, its carrying amount is written down to its residual value. Amortization expense is recorded as an expense in the appropriate fund.

Tangible capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Custom-built computer systems	10 years
Equipment	
Office	5 years
Stage	5 years
Building	20 years
Venue infrastructure	20 years
Leasehold improvements	10 years

Capital development projects are not subject to amortization until the development is complete. At that point, the balance will be allocated to the appropriate asset category and amortized over its estimated useful life.

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. When condition indicate that a tangible asset is impaired, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost. A write-down of tangible assets shall be accounted for as an expense in the statement of operations and fund balances. A write-down shall not be reversed.

### *Use of estimates*

The preparation of the financial statements in accordance with ASNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates relate to the allowance for doubtful accounts, net realizable value of inventory, the amortization period for and potential impairment of tangible capital assets, the determination of accrued liabilities and potential contingencies. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates could be significant. Management reviews its estimates on a periodic basis and, if required, makes adjustments prospectively.

**2. Significant accounting policies (continued)**

*Introduction of new accounting standards*

Effective September 1, 2019, Arts Commons adopted Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations ("Section 4433"). Among other requirements, Section 4433 requires componentization of capital assets held at September 1, 2019 and those acquired subsequent to that date into significant identifiable component parts that have different useful lives. Also, Section 4433 introduces the requirement to recognize partial impairment of the capital assets should the net book value of such assets be non-recoverable at a particular date. The adoption of Sections 4433 did not have a material impact on Arts Commons' financial statements.

**3. Government remittances**

Accounting standards require separate disclosure of the amounts of government remittances (other than income taxes) recoverable or payable. Accordingly, an amount of \$195,407 (\$237,228 in 2019) of Goods and Services Tax recoverable as at August 31, 2020 is included in the accounts receivable balance. A total of \$2,122 (\$1,208 in 2019) of source deductions payable is included in the accounts payable and accrued liabilities balance.

**4. Investments**

Arts Commons' investments are professionally managed and held in the Capital Replacement Fund and are invested in accordance with the investment policies approved by the board of directors (the "Board").

	<b>Cost</b>	<b>2020 Market</b>	Cost	2019 Market
	\$	\$	\$	\$
Capital Replacement Fund managed funds	<b>4,010,235</b>	<b>5,846,057</b>	3,896,895	5,398,984

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)

**Notes to the financial statements**

August 31, 2020

**5. Tangible capital assets**

	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land and building	1	—	1
Custom-built computer systems	782,066	782,066	—
Equipment			
Office	954,699	951,312	3,387
Stage	9,186,143	8,629,868	556,275
Building	25,474,647	8,865,659	16,608,988
Venue Infrastructure	830,710	—	830,710
Leasehold improvements	8,116,617	6,525,980	1,590,637
Capital development projects*	3,745,155	—	3,745,155
	<b>49,090,038</b>	<b>25,754,885</b>	<b>23,335,153</b>

	Cost	Accumulated amortization	2019 Net book value
	\$	\$	\$
Land and building	1	—	1
Custom-built computer systems	782,066	782,066	—
Equipment			
Office	954,699	950,183	4,516
Stage	9,156,706	8,251,699	905,007
Building	24,367,000	7,667,064	16,699,936
Leasehold improvements	7,321,579	6,367,933	953,646
Capital development projects*	3,878,314	—	3,878,314
	<b>46,460,365</b>	<b>24,018,945</b>	<b>22,441,420</b>

\* Capital development projects consist of costs related to work-in-progress on building projects expected to be completed by December 2020. Capital projects are not subject to amortization until the project is complete. At August 31, 2020, Arts Commons had commitments to various contractors relating to these development projects in the amount of \$3,745,155 (\$3,878,314 in 2019).

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)**Notes to the financial statements**

August 31, 2020

**6. Deferred contributions***Operating Fund*

Deferred contributions reported in the Operating Fund represent externally restricted donations relating to expenses of future periods. The changes in deferred contributions are as follows:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>484,342</b>	516,497
Contributions	<b>699,008</b>	484,342
Less: amounts amortized to revenue	<b>(484,342)</b>	(516,497)
Balance, end of year	<b>699,008</b>	484,342

Deferred contributions reported in the Operating Fund, which will be recognized as revenue in less than 12 months, totaled \$699,008 (\$484,342 in 2019).

*Capital Replacement Fund*

Deferred contributions reported in the Capital Replacement Fund represent the unamortized portion of restricted contributions, which have been expended or are expendable on Arts Commons' tangible capital assets.

The changes in deferred contributions are as follows:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>27,115,358</b>	25,841,802
Contributions		
Construction grants (Note 10)	<b>3,687,205</b>	2,561,576
Ticket surcharge	<b>461,846</b>	769,742
Realized gains on investment	<b>7,886</b>	6,636
Interest and dividend income	<b>126,863</b>	154,977
Capital donation and other	<b>(359,461)</b>	(659,055)
Less: amounts amortized to revenue	<b>(1,757,349)</b>	(1,772,302)
Change in unrealized gain on investments	<b>333,733</b>	211,982
Balance, end of year	<b>29,616,081</b>	27,115,358

Deferred contributions reported in the Capital Replacement Fund, which will be recognized as revenue in less than 12 months at minimum, totaled \$1,882,156 (\$1,735,940 in 2019). The amount which will be recognized in more than 12 months was \$27,733,925 (\$25,379,418 in 2019).

**Calgary Centre for Performing Arts** (Operating under the name Arts Commons)**Notes to the financial statements**

August 31, 2020

**7. Grants**

The City of Calgary provides operating grants to Arts Commons, which are approved on an annual basis.

Grants received in the year are as follows:

	<b>2020</b>	2019
	<b>\$</b>	\$
Operating Grants		
The City of Calgary - Civic Partners Program	<b>2,312,063</b>	2,237,677
Programming Grants		
Canadian Heritage - Canada Arts Presentation Fund	<b>104,500</b>	95,000
Alberta Foundation for the Arts - Community Support Organization	<b>75,000</b>	75,000
Canada Council - Arts Abroad and Arts Across Canada	—	6,033
The SOCAN Foundation	—	1,500
	<b>179,500</b>	177,533
Educations, facilities, and other		
Alberta Gaming, Liquor and Cannabis Commission	—	67,704
Norreen Baker Fund	<b>10,000</b>	—
Harry & Martha Cohen Foundation	<b>2,500</b>	2,000
Service Canada - Canada Summer Jobs	—	7,432
Alberta Labour - Canada-Alberta Job Grant Program	<b>5,353</b>	7,942
Rosza Foundation	<b>20,000</b>	9,300
The Calgary Foundation - Endowment	<b>345,954</b>	279,773
The Calgary Foundation	<b>55,000</b>	—
S.M. Blair Family Foundation	—	3,000
Dinner Optimist	<b>10,000</b>	10,000
	<b>448,806</b>	387,151
Donations in kind	<b>196,595</b>	320,470
	<b>3,136,964</b>	3,122,831

**8. Internally restricted fund balance**

Arts Commons has established a policy to set aside a certain level of internally restricted funds achieved through current year or cumulative surpluses to be retained to offset any future (projected or unexpected) operating deficiencies or to undertake significant projects. During the current year, the Board internally restricted \$Nil (\$Nil in 2019).

	<b>2020</b>	2019
	<b>\$</b>	\$
Operations contingency fund, beginning of the year	<b>378,000</b>	378,000
Additions	—	—
Operations contingency fund, end of the year	<b>378,000</b>	378,000

**9. Fundraising expenses**

The amounts received pertaining to fundraising activities were as follows:

Deferred		
Grants in deferred contributions in the Capital Replacement Fund (Note 6)	<b>3,687,205</b>	2,561,576

As required under Section 7(2) of the Alberta Charitable Fundraising Regulation, the following amounts are disclosed:

	<b>2020</b>	2019
	\$	\$
Amounts paid as remuneration to employees whose principal duties involve fundraising	<b>335,714</b>	451,171
Expenses incurred for donations and services in kind	<b>196,595</b>	320,470
Other expenses incurred for the purposes of soliciting contributions	<b>128,994</b>	239,238
	<b>661,303</b>	1,010,879

**10. Bank indebtedness**

During fiscal year 2018 Arts Commons obtained a line of credit secured by its investment portfolio. The line of credit, which is payable on demand, is approved for a maximum amount of \$2,000,000 and bears interest at Royal Bank Prime plus 0.5% per annum. Royal Bank Prime was 2.45% as at August 31, 2020 (3.95% as at August 31, 2019). As at August 31, 2020 the balance is \$Nil (\$Nil in 2019). Interest expenses of \$2,375 (\$10,676 in 2019) were incurred for using the line of credit during the year.

**11. Financial instruments**

Arts Commons' financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values.

Arts Commons has exposure to the following risks from its use of financial instruments:

*Market risk*

Market risk is the risk that changes in market prices as a result of changes in interest rates and stock market fluctuations will affect Arts Commons' results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest-bearing financial instruments held by Arts Commons. Arts Commons has holdings in fixed-income securities. As interest rates fluctuate, the fair values of the investments will be impacted.

## **11. Financial instruments (continued)**

### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment resulting in a financial loss to Arts Commons. Credit risk is managed for Arts Commons' investments by ensuring that they are in accordance with the Statement of Investment Policy established by the Board. The maximum exposure to credit risk on these instruments is their carrying value.

Arts Commons is exposed to credit risk associated with accounts receivable to the extent that its customers or donors may experience financial difficulty and would be unable to meet their obligations. However, Arts Commons has a large number of diverse customers and donors, which minimizes the concentration of credit risk.

### *Liquidity risk*

Liquidity risk is the risk that Arts Commons will not be able to meet its liabilities as they fall due. Arts Commons currently holds enough cash to pay all current liabilities; therefore, Arts Commons' liquidity risk is considered minimal. In addition, Arts Commons aims to retain a sufficient cash position to manage liquidity. Arts Commons' exposure to and management of liquidity risk has not changed materially since August 31, 2019.

## **12. COVID-19**

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. These public health and emergency measures have resulted in an economic slowdown, restrictions on public gatherings and activities. The duration and impact of COVID-19 is unknown. In accordance with government guidelines, Arts Commons closed the facility to the public and will remain closed for an undetermined period of time until indoor gathering numbers are increased to the point of it being financially viable to re-open the facility. Known impacts include the loss of earned and contributed revenues which have been offset by significant cuts in expenditures and by accessing all available government programs including the Canadian Emergency Wage Subsidy (CEWS) through the Federal Government in order to keep staff employed. During the year \$957,267 (\$nil in 2019) was received or is receivable through CEWS. It will be difficult to reliably estimate the duration and severity of the consequences of COVID19, as well as the impact on the financial position and results of operations of Arts Commons for future periods.