

*Financial Statements of*

**VARLEY-McKAY ART FOUNDATION OF  
MARKHAM**

*December 31, 2022*



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## INDEPENDENT AUDITOR'S REPORT

To the Members of Varley-McKay Art Foundation of Markham

### ***Opinion***

We have audited the financial statements of Varley-McKay Art Foundation of Markham (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of 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. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 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 the 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 Entity's internal control.



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- 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 Entity'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 Entity 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 12, 2023

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022 WITH COMPARATIVE FIGURES FOR 2021

	Note	2022		2021
<b>ASSETS</b>				
Cash		\$ 314,733	\$	299,552
Prepaid Expenses		-		5,946
Accounts Receivable		7,302		10,515
Due from City of Markham	5	-		6,031
Investment Income Receivable	3	24,244		2,009
		\$ 346,279	\$	324,053
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable		\$ 9,701	\$	7,157
Due to City of Markham	5	57,293		-
		66,994		7,157
 <b>FUND BALANCES</b>				
Restricted Designated Fund (McKay)	3	201,749		293,976
Unrestricted General Fund		77,536		22,920
		279,285		316,896
		\$ 346,279	\$	324,053

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE FIGURES FOR 2021

		Designated Fund (McKay)		Total	Unrestricted	2022	2021
	Note	Education & Conservation	Art Purchases	Restricted Fund Balances	General Fund	Total	Total
<b>REVENUES</b>							
Donations		\$ -	\$ -	\$ -	\$ 2,699	\$ 2,699	\$ 3,564
Fundraising Activities	4						
Art of Plenty Art Show and Sale		-	-	-	18,672	18,672	-
Vintages		-	-	-	12,797	12,797	18,220
Gala and Art auction		-	-	-	-	-	50,863
Investment Income	3	11,118	11,118	22,236	7,577	29,813	28,121
Copyright Revenue	3	102	102	204	-	204	232
TD Connected Communities		-	-	-	30,000	30,000	20,000
Funding from Foundations/Groups		-	-	-	15,000	15,000	-
City of Markham (salary recoveries)		-	-	-	40,000	40,000	56,332
Other Income		-	-	-	-	-	200
		<b>11,220</b>	<b>11,220</b>	<b>22,440</b>	<b>126,745</b>	<b>149,185</b>	<b>177,532</b>
<b>EXPENDITURES</b>							
Art Purchases		-	21,750	21,750	-	21,750	41,992
Fundraising Activities	4						
Art of Plenty Art Show and Sale		-	-	-	8,227	8,227	-
Vintages		-	-	-	5,373	5,373	9,720
Gala and Art Auctions		-	-	-	15,970	15,970	22,093
Education and Conservation		3,817	-	3,817	-	3,817	8,615
Art Acquisition Cost		8,367	8,523	16,890	-	16,890	1,124
Contributions to Art Gallery		35,000	-	35,000	-	35,000	45,000
Administration		37,210	-	37,210	40,489	77,699	68,459
Other Expenses		-	-	-	2,070	2,070	4,416
		<b>84,394</b>	<b>30,273</b>	<b>114,667</b>	<b>72,129</b>	<b>186,796</b>	<b>201,419</b>
Excess/(deficiency) of Revenues Over Expenditures		<b>(73,174)</b>	<b>(19,053)</b>	<b>(92,227)</b>	<b>54,616</b>	<b>(37,611)</b>	<b>(23,887)</b>
Fund Balance at the Beginning of Year		219,338	74,638	293,976	22,920	316,896	340,783
Fund Balance at the End of Year		<b>\$ 146,164</b>	<b>\$ 55,585</b>	<b>\$ 201,749</b>	<b>\$ 77,536</b>	<b>\$ 279,285</b>	<b>\$ 316,896</b>

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE FIGURES FOR 2021

	2022	2021
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>Operating</b>		
Deficiency of Revenue over Expenditures	\$ (37,611)	\$ (23,887)
<b>Changes in non-cash working capital items</b>		
Prepaid Expenses	5,946	4,911
Accounts Receivable	3,213	(5,191)
Investment Income Receivable	(22,235)	207
Accounts Payable	2,544	3,113
Due to City of Markham	63,324	(11,080)
Deferred Revenue	-	(1,000)
<b>DECREASE (INCREASE) IN CASH DURING THE YEAR</b>	<b>15,181</b>	<b>(32,927)</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>299,552</b>	<b>332,479</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 314,733</b>	<b>\$ 299,552</b>

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

### 1. Description of organization

The Varley-McKay Art Foundation of Markham (the "Foundation") is a charitable organization incorporated without share capital on February 13, 1992. The purpose of the organization is as follows:

- to educate and promote the public's appreciation of the fine arts in the City of Markham (the "City") by the establishment of an art centre;
- to acquire a collection of art works, objects and documentary material in respect of the collection; and
- to preserve and exhibit the collection.

The purposes above are carried out through the support of the operations of an Art Centre/Art Gallery.

The Foundation is a Registered Charity under the Income Tax Act and is not subject to income taxes.

The organization is considered a local board of the City under the Municipal Act, 2001 and is subject to a degree of control by the City of Markham. A Memorandum of Understanding, dated March 27, 2006 between the City and the Foundation outlines the roles, responsibilities and terms of reference for each organization.

### 2. Significant Accounting policies

The statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Chartered Professional Accountants of Canada, using the restricted fund method of reporting restricted contributions.

#### (a) Fund accounting

The financial statements separately disclose the activities of the following funds maintained by the Foundation.

##### (i) Designated Fund

This fund represents resources that are to be used for specific purposes, as specified by the donor.

##### (ii) Designated Fund (McKay)

The City has received an endowment from the Estate of Kathleen G. McKay. By agreement with the City of Markham, the investment income from the endowment is allocated to the Foundation. Up to 50% of the income from the endowment can be used for education and artistic programs and for conservation of the permanent collection of the Frederick Horsman Varley Art Gallery of Markham (the "Art Gallery"). The balance of the income from the endowment can be used for the purchase of art.

##### (iii) Unrestricted General Fund

This fund represents the Foundation's unrestricted revenue that supports the programs, services and research of the Foundation and the Art Gallery along with the administration of the Foundation.

#### (b) Revenue recognition

Cash donations are recognized when received. Pledges are recognized as revenue if the amount can be reasonably estimated and collection is reasonably assured. Income from fundraising activities are recorded when received. Income from investments is recorded on the accrual basis.

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

### 2. Significant Accounting policies (continued)

#### (c) Art collection

The art purchases by the Foundation are for the permanent collection of the Art Gallery. Art purchases for the collection are expenses in the period in which the art is acquired. Contributions of art are recorded as revenue and expenses at their fair value, if determinable.

#### (d) Donated services

The Foundation benefits from the services of volunteers, the fair value of which has not been reflected in these financial statements.

#### (e) Financial instruments

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

#### (f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

#### (g) Copyright revenue

The foundation holds the copyright to Frederick Horsman Varley's artwork. A copyright revenue is received by the foundation when F.H. Varley's artwork is reproduced in publications, print and digital marketing, posters, postcards, calendars, and other gift.

### 3. Investment and copyright income

The last Will and Testament of the late Kathleen G. McKay bequeathed funds to the City to support the operation of the Art Gallery. Capital funds and accumulated income in the amount of \$1,565,392 was received from the Estate on December 31, 2000. By agreement with the City, the investment income from the endowment capital amount of \$1,298,804 held by the City's Trust Funds, as well as the copyright income is to be allocated to the Foundation. Up to 50% of the income earned from the endowment of these funds is to be used to fund art education and conservation of the permanent collection of the Art Gallery. The balance of the income earned is to be used to fund the purchase of additional art for the collection (see note 2 (c)). Investment income earned on amounts held in cash are allocated to the General Fund. At the end of 2022 an amount of \$24,244 (2021 - \$2,009) was interest receivable from City.

# VARLEY-McKAY ART FOUNDATION OF MARKHAM

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

**4. Fundraising Activities**

The Varley-McKay Art Foundation held two fundraising events in 2022, namely the Vintages at the Varley and the Art of Plenty art sale.

**5. Due (to)/from City of Markham**

There are no specific terms of repayment for the amount payable to the City.

**6. Financial risk management**

It is management's opinion that the Foundation is not exposed to significant liquidity, interest rate, credit, market, or liquidity risk.