Financial Statements of

PLUG IN INSTITUTE OF CONTEMPORARY ART

And Independent Auditors' Report thereon

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Plug In Institute of Contemporary Art

Opinion

We have audited the financial statements of Plug In Institute of Contemporary Art (the "Entity"), which comprise the statement of financial position as at March 31, 2022, 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 (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 March 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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.

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 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.

- 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 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 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

Chartered Professional Accountants

Winnipeg, Canada

July 19, 2022

PLUG IN INSTITUTE OF CONTEMPORARY ART

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 598,303	$ 223,627
Marketable securities	88,471	88,006
Accounts receivable (note 10)	259,748	424,525
Prepaid expenses	2,417	4,209
Inventory	85,464	85,747
Current portion of long-term receivable (note 5)	28,092	28,092
	1,062,495	854,206
Capital assets (note 2)	643,276	644,131
Long-term receivable (note 5)	28,092	56,184
Investment in artwork (note 7)	53,478	53,478
Investment in subsidiary (note 3)	1,000	1,000
	$ 1,788,341	$ 1,608,999
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 25,708	$ 28,241
Deferred revenue	440,300	369,000
	466,008	397,241
Deferred contributions (note 4)	12,501	–
Net assets:		
Invested in capital and long-term assets	682,453	695,809
Unrestricted	627,379	515,949
	1,309,832	1,211,758
Commitments (note 8)		
	$ 1,788,341	$ 1,608,999

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

PLUG IN INSTITUTE OF CONTEMPORARY ART

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Earned revenue:		
Endowment revenue (note 6)	$ 65,892	$ 64,296
Sales	12,058	22,894
Interest income	584	1,446
	78,534	88,636
Donations:		
Individual	2,775	3,250
Corporate	3,967	4,236
Foundations	71,460	20,850
Amortization of deferred contributions	847	–
	79,049	28,336
Government:		
Federal:		
Operating grant	198,411	237,500
Wage subsidy programs (note 10)	110,497	136,987
Canada Emergency Rent Subsidy (note 10)	61,947	55,253
Provincial	267,600	169,975
Municipal	96,940	87,900
	735,395	687,615
Total revenue	892,978	804,587
Expenditures (schedule)	760,451	627,934
Excess of revenue over expenditures before the undernoted	132,527	176,653
Other expenditures:		
Amortization of capital assets	34,453	54,783
Excess of revenue over expenditures	$ 98,074	$ 121,870

See accompanying notes to financial statements.

PLUG IN INSTITUTE OF CONTEMPORARY ART

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Invested in capital and long-term assets	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	$ 695,809	$ 515,949	$ 1,211,758	$ 1,089,888
Excess (deficiency) of revenue over expenditures	(33,606)	131,680	98,074	121,870
Invested in capital assets	20,250	(20,250)	–	–
Balance, end of year	$ 682,453	$ 627,379	$ 1,309,832	$ 1,211,758

See accompanying notes to financial statements.

PLUG IN INSTITUTE OF CONTEMPORARY ART

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Operating activities:		
Excess of revenue over expenditures	$ 98,074	$ 121,870
Items not involving cash:		
Amortization of capital assets	34,453	54,783
Amortization of deferred contributions	(847)	–
Change in non-cash operating working capital	263,711	(13,508)
	395,391	163,145
Investing activities:		
Capital asset additions	(33,598)	(3,093)
Change in marketable securities	(465)	(1,428)
	(34,063)	(4,521)
Financing activities:		
Deferred contributions received	13,348	–
Increase in cash	374,676	158,624
Cash, beginning of year	223,627	65,003
Cash, end of year	$ 598,303	$ 223,627

See accompanying notes to financial statements.

General:

Established in 1972, Plug In Institute of Contemporary Art (the “organization” or “Plug In ICA”) is a laboratory for research and a nexus for the presentation of art that confronts ideas and issues affecting today’s society. The convergence of these strands celebrates artworks and events in all media, as well as interdisciplinary projects spanning architecture, film, television, photography, sound, and new media. The organization is a registered charity under the *Income Tax Act*.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income is recognized as revenue when earned.

Government assistance related to current expenses is included in the determination of revenue for the year when the related expenditures are incurred. A liability to repay government assistance, if any, is recorded in the period in which the conditions arise that causes the assistance to become repayable.

(b) 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.

1. Significant accounting policies (continued):

All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The organization 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.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(e) Capital assets:

Capital assets are stated at cost and are amortized on a straight-line basis as follows:

Asset	Rate
Leasehold improvements	40 years
Media equipment	5 years
Office equipment	10 years
Computer equipment	5 years
Tools and equipment	5 years
Sign	10 years
Vehicles	7.5 years

(f) Investment in artwork:

Artwork is capitalized on the statement of financial position and is not amortized. Purchases of artworks are recorded at cost. Donation of artworks are recorded at their appraised fair market value at the time of donation.

1. **Significant accounting policies (continued):**

(g) Use of estimates:

The preparation of the organization's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year end and the reported amounts of revenue and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. **Capital assets:**

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Leasehold improvements	$ 838,996	$ 241,583	$ 597,413	$ 618,389
Media equipment	165,314	158,920	6,394	–
Office equipment	139,849	139,849	–	2,693
Computer equipment	57,759	45,793	11,966	7,303
Tools and other equipment	65,800	49,282	16,518	–
Sign	49,668	38,683	10,985	15,746
Vehicles	12,280	12,280	–	–
	$ 1,329,666	$ 686,390	$ 643,276	$ 644,131

3. **Investment in subsidiary:**

The organization owns 100 common shares at $10 per share of Plug In For Profit Inc. This company was incorporated March 5, 1999 and is presently inactive.

4. **Deferred contributions:**

Deferred contributions represent the unamortized amount of contributions received for the purchase of capital assets.

	2022	2021
Balance, beginning of year	$ –	–
Contributions received	13,348	–
Amount amortized to revenue	(847)	–
Balance, end of year	$ 12,501	–

5. Long-term receivable:

During fiscal 2019, the organization entered into a Joint Venture Termination Agreement with The University of Winnipeg which included an amendment to the lease agreement of the premise occupied by Plug In ICA and owned by The University of Winnipeg (formerly owned by the joint venture). The amendment requires five annual payments of $28,092 on July 1 for the years 2019 to 2023. The annual payments are not required if Plug In ICA is in default of the lease agreement.

	2022	2021
Long-term receivable	$ 56,184	$ 84,276
Less current portion	28,092	28,092
	$ 28,092	$ 56,184

6. Endowment Fund:

On November 17, 2008, Plug In ICA entered into an agreement with The Winnipeg Foundation to establish Plug In Institute of Contemporary Art Endowment Fund (the “Fund”) for the purpose of generating an annual grant to be used at the discretion of the Board of Directors in accordance with their charitable mandate. Gifts to the fund are irrevocable and shall be held and invested by The Winnipeg Foundation in perpetuity.

The Winnipeg Foundation allocates investment income to the organization based on a fixed percentage to a maximum of 5 percent of the average market value of the investments under administration for the previous three years. Investment income of $65,892 (2021 - $64,296) was allocated to the organization in the current year.

During the year, $28,092 donations were made by Plug In ICA to the Fund (2021 - nil).

The fair value of the Fund at March 31, 2022 was $1,574,005 (2021 - $1,581,797).

7. Investment in artwork:

The artwork was donated to Plug In ICA as an enhancement to the gallery and is not for resale. It is recorded at cost of acquisition which is made up of design and artist fees and freight.

8. Commitments:

During fiscal 2019, Plug In ICA entered into an amended lease agreement with The University of Winnipeg (the “Landlord”) concurrently with the wind up of the joint venture formerly held with the Landlord. The amended lease agreement term is from January 1, 2018 to November 30, 2050. Lease payments are annual base rent payment plus an allocation of operating costs.

The lease payments for the lease agreement term are estimated as follows:

Fiscal:	
2023	$ 137,257
2024	137,257
2025	137,257
2026	137,257
2027	137,257
Thereafter	3,156,921

9. Financial risks:

Management is of the opinion that the organization is not exposed to significant interest rate, market or credit risk arising from its financial instruments.

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages its liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2021.

10. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread to the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

10. COVID-19 impact (continued):

Plug In ICA has accessed certain government assistance programs to assist with the impact of COVID-19 on the organization's operations, which includes access to government subsidies to assist with the organization's expenditures. For the year ended March 31, 2022, the organization has claimed $110,497 (2021 - $136,987) under the Government of Canada's wage subsidy programs for reimbursement of salaries with $33,048 (2021 - $17,785) included in accounts receivable at March 31, 2022. For the year ended March 31, 2022, the organization has also claimed $61,947 (2021 - $55,253) under the Government of Canada's Emergency Rent Subsidy with $17,931 (2021 - $55,253) included in accounts receivable at March 31, 2022.

The ultimate duration and magnitude of the pandemic's impact on the economy and the financial effects on the organization is not known at this time.

PLUG IN INSTITUTE OF CONTEMPORARY ART

Schedule - Expenditures

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Artists fees	$	41,324	$	26,857
Artistic salaries - permanent		64,343		75,010
Administrative salaries		156,350		122,632
Production and technical salaries		54,923		60,998
Exhibition, programming and production		123,143		55,407
Education, outreach and audience development		68,558		49,626
Occupancy costs		172,499		153,330
Marketing and promotion		13,939		9,260
Fundraising and events		1,751		693
Administrative operating expenditures		35,529		39,121
Donations (note 5)		28,092		–
Artist settlement		–		35,000
Total operating expenses	$	760,451	$	627,934