

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

ARTBEAT STUDIO INC.

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RUNCHEY MIYAZAWA ABBOTT



AUDITORS' REPORT

To the Board of Directors of
ARTBEAT STUDIO INC.:

We have audited the accompanying financial statements of **ARTBEAT STUDIO INC.**, which comprise the statement of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ARTBEAT STUDIO INC.** as at December 31, 2012, December 31, 2011, and January 1, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
March 27, 2013


Chartered Accountants

ARTBEAT STUDIO INC.

STATEMENT OF FINANCIAL POSITION

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
CURRENT			
Cash and bank	\$ 60,454	46,608	51,534
Accounts receivable	92,724	69,955	58,417
GST receivable	1,966	1,913	1,701
Short-term investment (note 4)	2,578		2,459
Prepaid expenses	2,675	2,675	2,675
	<u>160,397</u>	<u>121,151</u>	<u>116,786</u>
LONG-TERM INVESTMENTS (note 4)		2,515	
	<u>160,397</u>	<u>123,666</u>	<u>116,786</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	3,583	5,321	3,582
Deferred revenue (note 5)	77,442	52,445	62,117
	<u>81,025</u>	<u>57,766</u>	<u>65,699</u>
COMMITMENTS (note 6)			
NET ASSETS			
UNRESTRICTED (page 4)	<u>79,372</u>	<u>65,900</u>	<u>51,087</u>
	<u>\$ 160,397</u>	<u>123,666</u>	<u>116,786</u>

Approved on behalf of the Board


Member


Member

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

ARTBEAT STUDIO INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2012

	2012	2011
REVENUE		
Artbeat Annual	\$ 510	464
CNDC	2,000	2,262
Donations	12,150	8,532
Graffiti Art Programming Inc.	900	753
Government of Canada	89,213	86,882
GST recovery	1,312	1,913
Interest revenue	155	585
Manitoba Arts Council	10,000	10,000
Manitoba Community Services Council Inc.		8,333
Miscellaneous	440	224
MMI		3,500
Murphy Foundation	5,000	
Prairie Rose School Division		1,400
Province of Manitoba - Culture, Heritage and Tourism	25,000	10,000
Province of Manitoba - Manitoba Health	50,075	50,800
Province of Manitoba - Manitoba Housing and Community Development	29,646	18,750
Sisters of the Holy Names of Jesus and Mary	5,000	10,045
Studio Central	1,673	
The Winnipeg Foundation	1,000	15,199
The Winnipeg Foundation - Nourishing potential		8,285
Thomas Sill Foundation		10,000
United Way	2,550	
Winnipeg Regional Health Authority	37,496	4,075
	<u>274,120</u>	<u>252,002</u>
EXPENDITURES		
Advertising and promotion	236	1,018
Artbeat Annual	7,044	5,467
Exhibitions	3,390	8,392
Insurance	1,678	1,673
Kitchen supplies	1,462	485
Miami school		1,176
Miscellaneous	2,211	844
Parking	3,267	2,542
Pottery supplies	1,581	869
Printing, stationery and office supplies	8,228	7,069
Professional fees	6,838	1,848
Rent	35,115	34,096
Repairs and maintenance	256	15,844
Salaries and benefits	150,889	131,774
Security	349	349
Studio and office equipment	740	10,041
Studio Central	31,402	7,053
Telephone and internet	3,540	2,297
Travel		150
Utilities	2,422	2,781
WISE sponsorship		1,421
	<u>260,648</u>	<u>237,189</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ 13,472</u>	<u>14,813</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2012

	2012	2011
NET ASSETS, beginning of year	\$ 65,900	51,087
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	<u>13,472</u>	<u>14,813</u>
NET ASSETS, end of year	<u>\$ 79,372</u>	<u>65,900</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenditures for year	\$ 13,472	14,813
Changes in non-cash working capital balances		
Accounts receivable	(22,769)	(11,538)
GST receivable	(53)	(212)
Prepaid expenses		
Accounts payable and accrued liabilities	(1,738)	1,739
Deferred revenue	24,997	(9,672)
	<u>13,909</u>	<u>(4,870)</u>
INVESTING ACTIVITIES		
Change in investments	<u>(63)</u>	(56)
NET INCREASE (DECREASE) IN CASH	13,846	(4,926)
CASH POSITION, beginning of year	<u>46,608</u>	<u>51,534</u>
CASH POSITION, end of year	<u><u>\$ 60,454</u></u>	<u><u>46,608</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. ENTITY DEFINITION

The organization is a registered charity incorporated as a non profit entity under the laws of Manitoba, providing studio space, community and opportunity for creative initiative to facilitate mental, spiritual, physical, emotional and economic health. Artbeat Studios Inc. enables consumers of mental health services to engage in artistic expression that promotes their recovery, empowerment and community. The organization is exempt from income taxes under Section 149(1) of The Income Tax Act.

2. CHANGE IN ACCOUNTING STANDARDS

The organization has adopted the Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations which have been applied retrospectively.

Upon adoption of the new accounting framework, there have been no adjustments required to opening assets, liabilities, net assets, or excess of revenue over expenditures for the year.

3. ACCOUNTING POLICIES

Basis of Presentation

The organization follows the deferral method of accounting.

Unrestricted

This has been established to account for all revenue and expenditures relating to the operations of Artbeat Studio Inc.

Revenue Recognition

The organization follows the deferral method of accounting for contributions which include donations. Grant revenue is recorded in the period specified in the funding agreements entered into with funding agencies and other organizations. Assistance received in advance of making the related expenditures is deferred.

Capital Assets

Items of a capital nature are expensed in the year of acquisition.

Financial Instruments

The organization's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The organization's financial instruments consist of cash and bank, accounts receivable, GST receivable, short and long-term investments, and accounts payable and accrued liabilities.

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 of 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.

ARTBEAT STUDIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Contributed Materials and Services

Contributed materials which are used in the normal course of the organization's operation and would otherwise have been purchased are recorded at their fair market value at the date of contribution if the fair market value can be reasonably determined. Due to the difficulty of determining their fair value, contributed labour and services are not recorded.

4. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 2.5% and maturing on November 7, 2013.

5. DEFERRED REVENUE

	2011 Deferred	Grant	Earned	2012 Deferred
Government of Canada	\$ 16,844	97,393	(80,689)	33,548
Manitoba Culture, Heritage and Tourism		20,000	(15,000)	5,000
Manitoba Housing and Community Development		32,939	(29,646)	3,293
Province of Manitoba - Manitoba Health	12,500	50,000	(50,000)	12,500
The Winnipeg Foundation	23,101			23,101
	<u>\$ 52,445</u>	<u>200,332</u>	<u>(175,335)</u>	<u>77,442</u>

6. COMMITMENTS

The organization has an operating lease for its studio and office space with an average monthly rate of \$2,800 over the next two years. The lease expires in November of 2014.

The minimum annual lease payments for the next two years is as follows:

2013	\$ 33,375
2014	31,350

7. ENDOWMENT FUND

The organization is the income beneficiary of a designated endowment fund held by The Winnipeg Foundation. All contributions to the fund are held and managed by The Winnipeg Foundation and the organization is only entitled to the income earned on the fund. At December 31, 2012 the market value of the fund was \$57,774 (2011 - \$49,490).

8. COMPARATIVE FIGURES

Certain of the comparative figures have been changed to conform with the current year's financial statement presentation. Excess of revenues over expenditures remains as previously reported.

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