

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

ARTBEAT STUDIO INC.

TABLE OF CONTENTS

December 31, 2013

Independent auditors' report	1
Statement of financial position	2
Statement of operations	3
Statement of changes in net assets	4
Statement of cash flows	5
Notes to financial statements	6

RUNCHEY MIYAZAWA ABBOTT



INDEPENDANT 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, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended, 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 **ARTBEAT STUDIO INC.**'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 **ARTBEAT STUDIO INC.**'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, 2013, and (of) its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
April 5, 2014

Runchey Miyazawa Abbott
Chartered Accountants

ARTBEAT STUDIO INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash and bank	\$ 86,446	60,454
Accounts receivable	73,729	92,724
GST receivable	2,524	1,966
Short-term investment (note 3)	2,642	2,578
Prepaid expenses	3,475	2,675
	<hr/>	<hr/>
	168,816	160,397
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LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	3,885	3,583
Deferred revenue (note 4)	73,185	77,442
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	77,070	81,025
COMMITMENTS (note 5)		
NET ASSETS		
UNRESTRICTED (page 4)	91,746	79,372
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	\$ 168,816	160,397
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Approved on behalf of the Board



Member



Member

ARTBEAT STUDIO INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2013

	2013	2012
REVENUE		
Artbeat Annual	\$ 377	510
Assiniboine Credit Union	400	
CNDC	2,200	2,000
Donations	13,039	12,150
Graffiti Art Programming Inc.		900
Government of Canada	96,350	89,213
GST recovery		1,312
Interest revenue	190	155
Manitoba Arts Council	7,000	10,000
Miscellaneous	240	440
Murphy Foundation		5,000
Province of Manitoba - Culture, Heritage and Tourism	27,481	25,000
Province of Manitoba - Manitoba Health	50,000	50,075
Province of Manitoba - Manitoba Housing and Community Development	20,793	29,646
Province of Manitoba - Winnipeg Community Infrastructure Program	5,935	
Sisters of the Holy Names of Jesus and Mary	10,000	5,000
Studio Central	3,299	1,673
The Winnipeg Foundation	26,101	1,000
United Way		2,550
Winnipeg Regional Health Authority	49,992	37,496
	<u>313,397</u>	<u>274,120</u>
EXPENDITURES		
Advertising and promotion	801	236
Artbeat Annual	5,644	7,044
Exhibitions	2,754	3,390
Insurance	1,863	1,678
Kitchen supplies		1,462
Miscellaneous	6,546	2,211
Parking	3,198	3,267
Pottery supplies	1,372	1,581
Printing, stationery and office supplies	6,802	8,228
Professional fees	2,683	6,838
Rent	34,786	35,115
Repairs and maintenance	12,615	256
Salaries and benefits	164,193	150,889
Security	348	349
Studio and office equipment	2,047	740
Studio Central	46,014	31,402
Telephone and internet	6,908	3,540
Utilities	2,449	2,422
	<u>301,023</u>	<u>260,648</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ 12,374</u>	<u>13,472</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2013

	2013 Total	2012 Total
NET ASSETS, beginning of year	\$ 79,372	65,900
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	<u>12,374</u>	<u>13,472</u>
NET ASSETS, end of year	<u>\$ 91,746</u>	<u>79,372</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenditures for year	\$ 12,374	13,472
Changes in non-cash working capital balances		
Accounts receivable	18,995	(22,769)
GST receivable	(558)	(53)
Prepaid expenses	(800)	
Accounts payable and accrued liabilities	302	(1,738)
Deferred revenue	(4,257)	24,997
	<u>26,056</u>	<u>13,909</u>
INVESTING ACTIVITIES		
Change in investments	<u>(64)</u>	<u>(63)</u>
NET DECREASE IN CASH	25,992	13,846
CASH POSITION, beginning of year	<u>60,454</u>	<u>46,608</u>
CASH POSITION, end of year	<u>\$ 86,446</u>	<u>60,454</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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. ACCOUNTING POLICIES

Basis of Presentation

The organization follows the deferral method of accounting.

a) Unrestricted

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

b) Internally Restricted Endowment Fund

This has been established to account for all revenue and expenditures relating to the marketing and campaigning for an endowment fund for 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.

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.

ARTBEAT STUDIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

3. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 1.9% and maturing on November 7, 2014.

4. DEFERRED REVENUE

	2012 Deferred	Grant	Earned	2013 Deferred
Assiniboine Credit Union	\$	4,000	(400)	3,600
CNDC		2,000	(1,000)	1,000
Government of Canada	33,548	86,392	(97,738)	22,202
Manitoba Arts Council		10,000	(7,000)	3,000
Manitoba Culture, Heritage and Tourism	5,000	23,800	(22,172)	6,628
Manitoba Health	12,500	50,000	(50,000)	12,500
Manitoba Housing and Community Development	3,293	44,000	(26,103)	21,190
The Winnipeg Foundation	23,101		(23,101)	
Winnipeg Community Infrastructure Program		9,000	(5,935)	3,065
	<u>\$ 77,442</u>	<u>229,192</u>	<u>(233,449)</u>	<u>73,185</u>

5. COMMITMENTS

The organization has an operating lease for its studio and office space with an average monthly rate of \$2,850 over the next three years. The lease expires in November of 2014.

The minimum annual lease payments for the next year is \$31,350.

6. ENDOWMENT FUND

During the year the organization established an endowment fund with 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, 2013 the market value of the fund was \$73,643 (2012 - \$57,774).

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