

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

ARTBEAT STUDIO INC.

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MIYAZAWA & COMPANY

INDEPENDENT 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, 2015, 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, 2015, 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 15, 2016



Chartered Professional Accountants

ARTBEAT STUDIO INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash and bank	\$ 81,273	72,554
Accounts receivable	71,870	38,367
GST receivable	2,891	2,241
Short-term investment (note 3)	2,749	2,692
Prepaid expenses	2,675	2,675
	<u>161,458</u>	<u>118,529</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	5,034	3,802
Deferred revenue (note 4)	97,094	50,707
	<u>102,128</u>	<u>54,509</u>
COMMITMENTS (note 5)		
NET ASSETS		
UNRESTRICTED (page 4)	<u>59,330</u>	<u>64,020</u>
	<u>\$ 161,458</u>	<u>118,529</u>

Approved on behalf of the Board



Member



Member

ARTBEAT STUDIO INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2015

	2015	2014
REVENUE		
Artbeat Annual	\$ 712	304
Assiniboine Credit Union		3,600
Canada Council for the Arts	20,000	
CED network	500	4,500
CNDC	2,500	3,500
Donations	22,218	18,211
Downtown BIZ	30,000	25,000
Government of Canada	71,696	36,320
Interest revenue	251	211
Manitoba Arts Council	7,000	10,000
Miscellaneous	25	1,815
Province of Manitoba - Culture, Heritage and Tourism	24,767	21,629
Province of Manitoba - Manitoba Health	50,000	50,000
Province of Manitoba - Manitoba Housing and Community Development	24,792	17,500
Province of Manitoba - Winnipeg Community Infrastructure Program	900	2,165
Sisters of the Holy Names of Jesus and Mary	10,000	10,000
Studio Central	19,937	8,570
The Winnipeg Foundation	26,386	13,227
Upbeat Artworks	18,888	11,920
United Way	3,371	
Winnipeg Regional Health Authority	52,992	52,117
	<u>386,935</u>	<u>290,589</u>
EXPENDITURES		
Advertising and promotion		450
Artbeat Annual	4,397	5,979
Exhibitions	2,842	3,597
Fundraising	2,191	1,904
Insurance	2,531	2,318
Miscellaneous	4,593	6,836
Parking	3,198	3,198
Pottery supplies	988	269
Printing, stationery and office supplies	13,429	7,385
Professional fees	2,542	2,542
Rent	38,099	36,645
Repairs and maintenance	16,387	19
Salaries and benefits	197,337	167,848
Security	397	358
Studio and office equipment	3,208	5,756
Studio Central	35,493	28,661
Telephone and internet	3,404	3,653
Travel	765	
Utilities	3,112	3,686
Upbeat Artworks	56,712	37,211
	<u>391,625</u>	<u>318,315</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ (4,690)</u>	<u>(27,726)</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2015

	2015 Total	2014 Total
NET ASSETS, beginning of year	\$ 64,020	91,746
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR YEAR	<u>(4,690)</u>	<u>(27,726)</u>
NET ASSETS, end of year	<u>\$ 59,330</u>	<u>64,020</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for year	\$ (4,690)	(27,726)
Changes in non-cash working capital balances		
Accounts receivable	(33,503)	35,362
GST receivable	(650)	283
Prepaid expenses		800
Accounts payable and accrued liabilities	1,232	(83)
Deferred revenue	46,387	(22,478)
	<u>8,776</u>	<u>(13,842)</u>
INVESTING ACTIVITIES		
Change in short-term investments	<u>(57)</u>	<u>(50)</u>
NET INCREASE (DECREASE) IN CASH	8,719	(13,892)
CASH POSITION, beginning of year	<u>72,554</u>	<u>86,446</u>
CASH POSITION, end of year	<u><u>\$ 81,273</u></u>	<u><u>72,554</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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-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 and services 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, 2015

3. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 1.85% and maturing on November 6, 2016.

4. DEFERRED REVENUE

	2015	2014
CNDC	\$ 1,000	1,000
Government of Canada	27,616	(389)
Healthy Together Now		3,000
Manitoba Arts Council	3,000	
Manitoba Culture, Heritage and Tourism	15,424	5,000
Manitoba Health	12,500	12,500
Manitoba Housing and Community Development	10,208	3,690
The Winnipeg Foundation	14,840	12,500
Winnipeg Community Infrastructure Program		900
WRHA	12,506	12,506
	<u>\$ 97,094</u>	<u>50,707</u>

5. COMMITMENTS

The organization has an operating lease for its studio and office space expiring in November 2017.

The minimum annual lease payments for the next two years:

2016	\$ 36,000
2017	32,450

6. ENDOWMENT FUND

The organization has 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, 2015 the market value of the fund was \$91,248 (2014 - \$81,697).

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