

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

ARTBEAT STUDIO INC.

TABLE OF CONTENTS

December 31, 2016

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

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, 2016, 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.

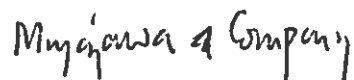
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016, 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 20, 2017



Chartered Professional Accountants

ARTBEAT STUDIO INC.


STATEMENT OF FINANCIAL POSITION

December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and bank	\$ 42,737	81,273
Accounts receivable	46,522	71,870
GST receivable	2,485	2,891
Short-term investment (note 3)	2,800	2,749
Prepaid expenses	2,675	2,675
	<u>97,219</u>	<u>161,458</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	5,262	5,034
Deferred revenue (note 4)	64,311	97,094
	<u>69,573</u>	<u>102,128</u>
COMMITMENTS (note 5)		
NET ASSETS		
UNRESTRICTED (page 4)	<u>27,646</u>	<u>59,330</u>
	<u>\$ 97,219</u>	<u>161,458</u>

Approved on behalf of the Board


Member


Member

ARTBEAT STUDIO INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2016

	2016	2015
REVENUE		
Artbeat Annual	\$ 12	712
Assiniboine Credit Union	1,000	
Bell Let's Talk	6,000	
Canada Council for the Arts		20,000
CED network		500
CNDC	1,000	2,500
Donations	40,334	22,218
Downtown BIZ	25,000	30,000
Government of Canada	9,631	71,696
Interest revenue	3,492	251
Manitoba Arts Council	9,333	7,000
Miscellaneous	8,790	25
Province of Manitoba - Culture, Heritage and Tourism	30,424	24,767
Province of Manitoba - Manitoba Health	53,294	50,000
Province of Manitoba - Manitoba Housing and Community Development	33,542	24,792
Province of Manitoba - Winnipeg Community Infrastructure Program		900
Sisters of the Holy Names of Jesus and Mary	10,000	10,000
Studio Central	9,637	19,937
The Winnipeg Foundation	16,769	26,386
The Winnipeg Foundation - Nourishing potential	2,340	
United Way		3,371
Upbeat Artworks	18,912	18,888
Winnipeg Regional Health Authority	52,492	52,992
	<u>332,002</u>	<u>386,935</u>
EXPENDITURES		
Artbeat Annual	4,258	4,397
Exhibitions	2,643	2,842
Fundraising	379	2,191
Insurance	2,586	2,531
Miscellaneous	8,605	4,593
Parking	3,282	3,198
Pottery supplies	5,328	988
Printing, stationery and office supplies	17,636	13,429
Professional fees	2,542	2,542
Rent	36,829	38,099
Repairs and maintenance	5,273	16,387
Salaries and benefits	184,296	197,337
Security	480	397
Studio and office equipment	1,776	3,208
Studio Central	30,289	35,493
Telephone and internet	3,482	3,404
Travel	499	765
Upbeat Artworks	50,779	56,712
Utilities	2,724	3,112
	<u>363,686</u>	<u>391,625</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ (31,684)</u>	<u>(4,690)</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2016

	2016 Total	2015 Total
NET ASSETS, beginning of year	\$ 59,330	64,020
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR YEAR	<u>(31,684)</u>	<u>(4,690)</u>
NET ASSETS, end of year	<u>\$ 27,646</u>	<u>59,330</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for year	\$ (31,684)	(4,690)
Changes in non-cash working capital balances		
Accounts receivable	25,348	(33,503)
GST receivable	406	(650)
Accounts payable and accrued liabilities	228	1,232
Deferred revenue	(32,783)	46,387
	<u>(38,485)</u>	<u>8,776</u>
INVESTING ACTIVITIES		
Change in short-term investments	<u>(51)</u>	<u>(57)</u>
NET INCREASE (DECREASE) IN CASH	(38,536)	8,719
CASH POSITION, beginning of year	<u>81,273</u>	<u>72,554</u>
CASH POSITION, end of year	<u><u>\$ 42,737</u></u>	<u><u>81,273</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016

3. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 1.75% and maturing on November 6, 2017.

4. DEFERRED REVENUE

	2016	2015
Bell Let's Talk	\$ 14,000	
CNDC	3,000	1,000
Government of Canada		27,616
Manitoba Arts Council	3,167	3,000
Manitoba Culture, Heritage and Tourism	5,000	15,424
Manitoba Health	12,971	12,500
Manitoba Housing and Community Development	11,667	10,208
The Winnipeg Foundation		14,840
Winnipeg Community Infrastructure		
Winnipeg Regional Health Authority	14,506	12,506
	<u>\$ 64,311</u>	<u>97,094</u>

5. COMMITMENTS

The organization has an operating lease for its studio expiring in November 2017 and gallery expiring in September 2018.

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

2017	\$ 36,230
2018	2,835

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, 2016 the market value of the fund was \$97,756 (2015 - \$91,248).