

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, 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.

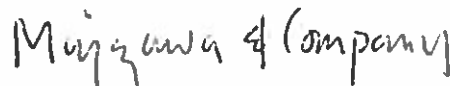
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2017, 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
March 28, 2018



Chartered Professional Accountants

ARTBEAT STUDIO INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and bank	\$ 120,588	42,737
Grants receivable	35,756	46,522
GST receivable	2,170	2,485
Short-term investment (note 3)	2,849	2,800
Prepaid expenses	2,675	2,675
	<u>164,038</u>	<u>97,219</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	6,236	5,262
Deferred revenue (note 4)	66,173	64,311
	<u>72,409</u>	<u>69,573</u>
COMMITMENTS (note 5)		
NET ASSETS		
UNRESTRICTED (page 4)	<u>91,629</u>	<u>27,646</u>
	<u>\$ 164,038</u>	<u>97,219</u>

Approved on behalf of the Board



Member



Member

ARTBEAT STUDIO INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2017

	2017	2016
REVENUE		
Artbeat Annual	\$ 493	12
Assiniboine Credit Union	4,000	1,000
Bell Let's Talk	14,000	6,000
CNRI	4,500	1,000
Donations	130,488	40,774
Downtown BIZ		25,000
Government of Canada	9,526	9,631
Insurance proceeds		8,350
Investment revenue	4,243	3,492
Manitoba Arts Council	3,167	9,333
Province of Manitoba - Culture, Heritage and Tourism	20,000	30,424
Province of Manitoba - Manitoba Health	50,452	53,294
Province of Manitoba - Manitoba Housing and Community Development	31,500	33,542
Sisters of the Holy Names of Jesus and Mary	10,000	10,000
Studio Central	14,866	9,637
The Winnipeg Foundation	25,000	16,769
The Winnipeg Foundation - Nourishing potential		2,340
Upbeat Artworks	31,676	18,912
Winnipeg Regional Health Authority	56,492	52,492
	<u>410,403</u>	<u>332,002</u>
EXPENDITURES		
Artbeat Annual	3,525	4,258
Exhibitions	2,183	2,643
Fundraising	3,490	379
Insurance	2,892	2,586
Miscellaneous	3,892	8,605
Parking	3,474	3,282
Pottery supplies	6,082	5,328
Printing, stationery and office supplies	10,893	17,636
Professional fees	2,541	2,542
Rent	36,287	36,829
Repairs and maintenance	2,022	5,273
Salaries and benefits	177,994	184,296
Security	607	480
Studio and office equipment	6,494	1,776
Studio Central	32,741	30,289
Telephone and internet	3,151	3,482
Travel	676	499
Upbeat Artworks	44,744	50,779
Utilities	2,732	2,724
	<u>346,420</u>	<u>363,686</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ 63,983</u>	<u>(31,684)</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2017

	2017 Total	2016 Total
NET ASSETS, beginning of year	\$ 27,646	59,330
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	63,983	(31,684)
NET ASSETS, end of year	<u>\$ 91,629</u>	<u>27,646</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for year	\$ 63,983	(31,684)
Changes in non-cash working capital balances		
Grants receivable	10,766	25,348
GST receivable	315	406
Accounts payable and accrued liabilities	974	228
Deferred revenue	1,862	(32,783)
	<u>77,900</u>	<u>(38,485)</u>
INVESTING ACTIVITIES		
Change in short-term investments	<u>(49)</u>	<u>(51)</u>
NET INCREASE (DECREASE) IN CASH	77,851	(38,536)
CASH POSITION, beginning of year	<u>42,737</u>	<u>81,273</u>
CASH POSITION, end of year	<u><u>\$ 120,588</u></u>	<u><u>42,737</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The significant accounting policies used in these financial statements are as follows:

Fund Accounting

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.

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. Commission revenue from Upbeat Artworks is recognized when artwork sale is complete and revenue received. Investment revenue includes investment income recorded on an accrual basis from funds held and managed by The Winnipeg Foundation and short term investments.

Capital Assets

Items of a capital nature for furniture and equipment 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, grants receivable, GST receivable, short-term investments, and accounts payable and accrued liabilities.

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, 2017

3. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 1.85% and maturing on November 6, 2018.

4. DEFERRED REVENUE

	2017	2016
Assiniboine Credit Union	\$ 3,000	
Bell Let's Talk		14,000
CNRI	1,500	3,000
Cooperators Foundation	20,000	
Manitoba Arts Council		3,167
Manitoba Culture, Heritage and Tourism	5,000	5,000
Manitoba Health	12,500	12,971
Manitoba Housing and Community Development	11,667	11,667
Winnipeg Regional Health Authority	12,506	14,506
	<u>\$ 66,173</u>	<u>64,311</u>

5. COMMITMENTS

The organization has an operating lease for its studio expiring in November 2022 and gallery expiring in September 2018.

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

2018	\$ 38,835
2019	37,100
2020	37,200
2021	37,300
2022	38,400

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, 2017 the market value of the fund was \$102,568 (2016 - \$97,756).

7. TANGIBLE CAPITAL ASSETS

Furniture and equipment tangible capital assets are expensed in the year of acquisition. Furniture and equipment was expensed in the current year for \$2,155 (2016 - \$3,782).

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