

**ARTBEAT STUDIO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

ARTBEAT STUDIO INC.

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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, 2018, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ARTBEAT STUDIO INC.** as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **ARTBEAT STUDIO INC.** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing **ARTBEAT STUDIO INC.**'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate **ARTBEAT STUDIO INC.** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **ARTBEAT STUDIO INC.**'s financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

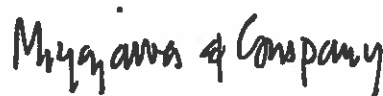
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on **ARTBEAT STUDIO INC.** to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **ARTBEAT STUDIO INC.** to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Winnipeg, Manitoba
March 28, 2019



Chartered Professional Accountants

ARTBEAT STUDIO INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and bank	\$ 75,538	120,588
Grants receivable	201,853	35,756
GST receivable	2,289	2,170
Short-term investment (note 3)	2,901	2,849
Prepaid expenses	2,675	2,675
	<u>285,256</u>	<u>164,038</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	6,354	6,236
Deferred revenue (note 4)	194,548	66,173
	<u>200,902</u>	<u>72,409</u>
COMMITMENTS (note 5)		
NET ASSETS		
UNRESTRICTED (page 5)	<u>84,354</u>	<u>91,629</u>
	<u>\$ 285,256</u>	<u>164,038</u>

Approved on behalf of the Board



Member



Member

ARTBEAT STUDIO INC.**STATEMENT OF OPERATIONS**

For the year ended December 31, 2018

	2018	2017
REVENUE		
Artbeat Annual	\$ 20	493
Assiniboine Credit Union	4,000	4,000
Bell Let's Talk		14,000
Cooperators	20,000	
CNRI	6,000	4,500
Donations	57,745	130,488
Downtown BIZ	12,622	
Government of Canada	6,009	9,526
Investment revenue	4,764	4,243
Manitoba Arts Council	5,000	3,167
Province of Manitoba - Culture, Heritage and Tourism	20,000	20,000
Province of Manitoba - Manitoba Health	50,000	50,452
Province of Manitoba - Manitoba Housing and Community Development	35,000	31,500
Sisters of the Holy Names of Jesus and Mary	10,000	10,000
Studio Central	6,561	14,866
The Winnipeg Foundation	4,167	25,000
United Way	5,000	
Upbeat Artworks	22,242	31,676
Winnipeg Regional Health Authority	50,992	56,492
	<u>320,122</u>	<u>410,403</u>
EXPENDITURES		
Artbeat Annual	4,561	3,525
Exhibitions	2,015	2,183
Fundraising	3,023	3,490
Insurance	3,021	2,892
Miscellaneous	3,180	3,892
Parking	3,444	3,474
Pottery supplies	1,048	6,082
Printing, stationery and office supplies	18,650	10,893
Professional fees	2,542	2,541
Rent	36,315	36,287
Repairs and maintenance	839	2,022
Salaries and benefits	170,358	177,994
Security	357	607
Studio and office equipment	11,341	6,494
Studio Central	20,994	32,741
Telephone and internet	3,305	3,151
Travel	293	676
Upbeat Artworks	38,894	44,744
Utilities	3,217	2,732
	<u>327,397</u>	<u>346,420</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ (7,275)</u>	<u>63,983</u>

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

ARTBEAT STUDIO INC.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 2018

	2018 Total	2017 Total
NET ASSETS, beginning of year	\$ 91,629	27,646
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	(7,275)	63,983
NET ASSETS, end of year	\$ 84,354	91,629

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

ARTBEAT STUDIO INC.

STATEMENT OF CASH FLOWSFor the year ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for year	\$ (7,275)	63,983
Changes in non-cash working capital balances		
Grants receivable	(166,097)	10,766
GST receivable	(119)	315
Accounts payable and accrued liabilities	118	974
Deferred revenue	128,375	1,862
	<u>(44,998)</u>	<u>77,900</u>
INVESTING ACTIVITIES		
Change in short-term investments	<u>(52)</u>	<u>(49)</u>
NET INCREASE (DECREASE) IN CASH	(45,050)	77,851
CASH POSITION, beginning of year	120,588	42,737
CASH POSITION, end of year	\$ 75,538	120,588

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018

3. INVESTMENTS

The organization has a Guaranteed Investment Certificate with the Assiniboine Credit Union earning interest at 2.50% and maturing on November 6, 2019.

4. DEFERRED REVENUE

	2018	2017
CNRI		1,500
Cooperators Foundation		20,000
Manitoba Arts Council	2,000	
Manitoba Culture, Heritage and Tourism	5,000	5,000
Manitoba Health	12,500	12,500
Manitoba Housing and Community Development	11,667	11,667
Winnipeg Downtown BIZ	5,042	
The Winnipeg Foundation	145,833	
Winnipeg Regional Health Authority	12,506	12,506
	<u>\$ 194,548</u>	<u>66,173</u>

5. COMMITMENTS

The organization has an operating lease for its studio expiring in November 2022.

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

2019	\$	37,100
2020		37,200
2021		37,300
2022		35,200

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, 2018 the market value of the fund was \$94,633 (2017 - \$102,568).

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 \$7,760 (2017 - \$2,155).

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