

Financial Statements of

**ARTBEAT STUDIO INC.**

Year ended December 31, 2019

# ARTBEAT STUDIO INC.

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Year ended December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Artbeat Studio Inc.

### **Opinion**

We have audited the accompanying financial statements of Artbeat Studio Inc. (the "Entity"), which comprise the statement of financial position as at December 31, 2019, the statements of operations and changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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.

### **Other Matters**

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 28, 2019.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities 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 auditors' 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 the 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 the Entity'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 the 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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- Communicate with 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.

*KPMG LLP*

Chartered Professional Accountants

Winnipeg, Canada

August 25, 2020

**ARTBEAT STUDIO INC.**

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 84,729	\$ 75,538
Grants receivable	321,275	201,853
Goods and services taxes receivable	2,250	2,289
Short-term investment (note 3)	2,974	2,901
Prepaid expenses	2,675	2,675
	<b>\$ 413,903</b>	<b>\$ 285,256</b>

**Liabilities, Deferred Contributions and Net Assets**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,944	\$ 6,354
Deferred contributions - expenses of future periods (note 4)	341,408	194,548
Net assets, unrestricted	65,551	84,354
Commitments (note 5)		
Subsequent event (note 8)		
	<b>\$ 413,903</b>	<b>\$ 285,256</b>

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

On behalf of the Board:

 Director

# ARTBEAT STUDIO INC.

## Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Province of Manitoba:		
Culture, Heritage and Tourism	\$ 20,000	\$ 20,000
Manitoba Health	50,000	50,000
Manitoba Housing and Community Development	37,917	35,000
Contributions:		
The Winnipeg Foundation	60,000	-
Winnipeg Regional Health Authority	51,392	50,992
Co-operators Foundation	15,000	20,000
Winnipeg Downtown Biz	14,421	12,622
Sisters of the Holy Names of Jesus and Mary	2,500	10,000
Other	20,709	30,176
Donations	53,349	57,745
Upbeat Artworks	25,151	22,262
Studio Central	11,982	6,561
Investment revenue	5,251	4,764
	367,672	320,122
Expenditures:		
Artbeat Annual	4,304	4,561
Exhibitions	2,287	2,015
Fundraising	4,035	3,023
Insurance	3,329	3,021
Miscellaneous	1,919	3,180
Parking	3,444	3,444
Pottery supplies	460	1,048
Printing, stationery and office supplies	8,339	18,650
Professional fees	2,542	2,542
Rent	36,315	36,315
Repairs and maintenance	1,943	839
Salaries and benefits	229,896	170,358
Security	397	357
Studio and office equipment	7,483	11,341
Studio Central	23,108	20,994
Telephone, internet and website	3,349	3,305
Travel	-	293
Upbeat Artworks	50,392	38,894
Utilities	2,933	3,217
	386,475	327,397
Deficiency of revenue over expenses for the year	\$ (18,803)	\$ (7,275)

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

**ARTBEAT STUDIO INC.**

## Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019 Total	2018 Total
Balance, beginning of year	\$ 84,354	\$ 91,629
Deficiency of revenue over expenses for the year	(18,803)	(7,275)
<b>Balance, end of year</b>	<b>\$ 65,551</b>	<b>\$ 84,354</b>

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



**ARTBEAT STUDIO INC.**

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from (used in) operating activities:		
Deficiency of revenue over expenses for the year	\$ (18,803)	\$ (7,275)
Change in non-cash working capital balances:		
Grants receivable	(119,422)	(166,097)
Goods and services taxes receivable	39	(119)
Accounts payable and accrued liabilities	590	118
Deferred contributions related to expenses of future periods	146,860	128,375
	9,264	(44,998)
Cash flows from (used in) investing activities:		
Change in short-term investments	(73)	(52)
Net increase (decrease) in cash	9,191	(45,050)
Cash, beginning of year	75,538	120,588
Cash, end of year	\$ 84,729	\$ 75,538

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

# ARTBEAT STUDIO INC.

Notes to Financial Statements

Year ended December 31, 2019

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## 1. Entity definition:

Artbeat Studio Inc. (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. The Organization enables consumers of mental health services to engage in artistic expression that promotes their recovery, empowerment and community.

## 2. Accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### (a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Commission revenue from Upbeat Artworks is recognized when artwork sale is complete and revenue received.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment revenue includes investment income recorded on an accrual basis from funds held and managed by The Winnipeg Foundation and short-term investments.

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry all investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 2. Accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (c) Income taxes:

The Organization is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

### (d) Capital assets:

Items of a capital nature for furniture and equipment are expensed in the year of acquisition.

### (e) Contributed services:

Volunteers are an integral part of carrying out the activities of the Organization. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 3. Investments:

The Organization has a guaranteed investment certificate with the Assiniboine Credit Union earning interest at 2.25% (2018 - 2.50%) and maturing on November 6, 2020.

# ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

#### 4. Deferred contributions - expenses of future periods:

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2019	2018
Balance, beginning of year	\$ 194,548	\$ 66,173
Amounts received or receivable during the year	377,500	320,614
	572,048	386,787
Less: amounts recognized as revenue in the year	(230,640)	(192,239)
Balance, end of year	\$ 341,408	\$ 194,548

	2019	2018
Bell Let's Talk	\$ 15,000	\$ -
Co-operators Foundation	5,000	-
Manitoba Culture, Heritage and Tourism	5,000	5,000
Manitoba Health	12,500	12,500
Manitoba Housing and Community Development	43,750	11,667
Winnipeg Downtown BIZ	-	5,042
The Winnipeg Foundation	95,833	145,833
Winnipeg Regional Health Authority	162,498	12,506
Other	1,827	2,000
	\$ 341,408	\$ 194,548

#### 5. Commitments:

The organization has an operating lease for its studio expiring in November 2022. The minimum annual lease payments until maturity are as follows:

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

# ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

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**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, 2019, the market value of the fund was \$122,453 (2018 - \$94,633).

**7. 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 \$7,483 (2018 - \$7,760).

**8. Subsequent event:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact.

At this time the COVID-19 outbreak presents uncertainty over future cash flows, may cause significant changes to the Organization's assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect on the Organization is not practicable at this time.