

Financial Statements of

ARTBEAT STUDIO INC.

Year ended December 31, 2020

ARTBEAT STUDIO INC.

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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, 2020, the statements of operations, 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, 2020, 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.

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

May 26, 2021

ARTBEAT STUDIO INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

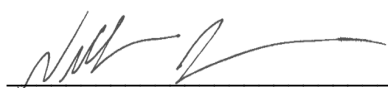
	2020	2019
Assets		
Current assets:		
Cash	\$ 127,355	\$ 84,729
Grants receivable	191,302	321,275
Goods and services taxes receivable	2,139	2,250
Short-term investment (note 3)	3,041	2,974
Prepaid expenses	2,675	2,675
	\$ 326,512	\$ 413,903

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,606	\$ 6,944
Deferred contributions - expenses of future periods (note 4)	212,091	341,408
Net assets, unrestricted	106,815	65,551
Commitments (note 5)		
	\$ 326,512	\$ 413,903

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

On behalf of the Board:



Vice Chair/Secretary

ARTBEAT STUDIO INC.

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Province of Manitoba:		
Culture, Heritage and Tourism	\$ 5,000	\$ 20,000
Manitoba Health	50,000	50,000
Manitoba Housing and Community Development	35,000	37,917
COVID-19 Bridge Grant	5,000	-
Contributions:		
The Winnipeg Foundation	107,500	60,000
Winnipeg Regional Health Authority	50,992	51,392
Co-operators Foundation	5,000	15,000
Winnipeg Downtown Biz	-	14,421
Sisters of the Holy Names of Jesus and Mary	12,100	2,500
Other	58,399	20,709
Donations	43,354	53,349
Upbeat Artworks	7,964	25,151
Studio Central	5,722	11,982
Investment revenue	5,471	5,251
	391,502	367,672
Expenses:		
Artbeat Annual	3,480	4,304
Exhibitions	877	2,287
Fundraising	1,523	4,035
Insurance	3,144	3,329
Miscellaneous	1,942	1,919
Parking	3,444	3,444
Pottery supplies	158	460
Printing, stationery and office supplies	6,618	8,339
Professional fees	3,515	2,542
Rent	36,325	36,315
Repairs and maintenance	251	1,943
Salaries and benefits	233,300	229,896
Security	329	397
Studio and office equipment	4,808	7,483
Studio Central	20,444	23,108
Telephone, internet and website	3,871	3,349
Upbeat Artworks	23,581	50,392
Utilities	2,628	2,933
	350,238	386,475
Excess (deficiency) of revenue over expenses for the year	\$ 41,264	\$ (18,803)

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

ARTBEAT STUDIO INC.

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Balance, beginning of year	\$ 65,551	\$ 84,354
Excess (deficiency) of revenue over expenses for the year	41,264	(18,803)
Balance, end of year	\$ 106,815	\$ 65,551

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

ARTBEAT STUDIO INC.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from (used in) operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ 41,264	\$ (18,803)
Change in non-cash working capital balances:		
Grants receivable	129,973	(119,422)
Goods and services taxes receivable	111	39
Accounts payable and accrued liabilities	662	590
Deferred contributions related to expenses of future periods	(129,317)	146,860
	42,693	9,264
Cash flows used in investing activities:		
Change in short-term investments	(67)	(73)
Net increase in cash	42,626	9,191
Cash, beginning of year	84,729	75,538
Cash, end of year	\$ 127,355	\$ 84,729

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

ARTBEAT STUDIO INC.

Notes to Financial Statements

Year ended December 31, 2020

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. Significant 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 cash has been 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, 2020

2. Significant 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 Assiniboine Credit Union earning interest at 2.25% (2019 - 2.25%) and maturing on November 6, 2021.

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

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.

	2020	2019
Balance, beginning of year	\$ 341,408	\$ 194,548
Amounts received or receivable during the year	82,501	377,500
	423,909	572,048
Less: amounts recognized as revenue in the year	(211,818)	(230,640)
Balance, end of year	\$ 212,091	\$ 341,408

	2020	2019
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	8,750	43,750
The Winnipeg Foundation	45,833	95,833
Winnipeg Regional Health Authority	112,508	162,498
MAC Pottery	15,000	-
New Horizons for Seniors	12,500	-
Other	-	1,827
	\$ 212,091	\$ 341,408

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:

2021	\$ 37,300
2022	35,200

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

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, 2020, the market value of the fund was \$132,000 (2019 - \$122,453).

7. Capital assets:

Furniture and equipment are expensed in the year of acquisition. Furniture and equipment expensed in the current year was \$2,556 (2019 - \$7,483).

8. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the Organization is not known at this time.