

Financial Statements of

ARTBEAT STUDIO INC.

Year ended December 31, 2021

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, 2021, 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, 2021, 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, 2022

ARTBEAT STUDIO INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 226,095	\$ 127,355
Grants and accounts receivable	92,306	191,302
Goods and services taxes receivable	2,760	2,139
Short-term investment (note 3)	3,041	3,041
Prepaid expenses	3,393	2,675
	\$ 327,595	\$ 326,512

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,331	\$ 7,606
Deferred contributions - expenses of future periods (note 4)	120,716	212,091
Net assets:		
Unrestricted	123,533	106,815
Internally restricted (note 5)	77,015	-
	200,548	106,815
Commitments (note 6)		
	\$ 327,595	\$ 326,512

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

On behalf of the Board:



Treasurer

ARTBEAT STUDIO INC.

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Province of Manitoba:		
Manitoba Art Council	\$ 54,583	\$ 20,000
Manitoba Health	50,000	50,000
Neighborhood's Alive	35,000	35,000
COVID-19 Bridge Grant	15,000	5,000
Safe at Home Manitoba	20,000	-
Government of Canada:		
Canada Emergency Wage Subsidy	49,261	-
Canada Emergency Rent Subsidy	12,754	-
Summer Students	7,485	7,575
New Horizons for Seniors	6,250	12,500
Contributions:		
The Winnipeg Foundation	88,633	107,500
Winnipeg Regional Health Authority	49,992	50,992
Co-operators Foundation	-	5,000
Sisters of the Holy Names of Jesus and Mary	10,500	12,100
Victoria Hospital Foundation	10,500	-
Prairie Dawn	2,500	-
Other	6,456	23,324
Donations	35,804	43,354
Upbeat Artworks	9,480	7,964
Studio Central	1,175	5,722
Investment revenue	5,797	5,471
	<u>471,170</u>	<u>391,502</u>
Expenses:		
Artbeat Annual	2,909	3,480
Exhibitions	574	877
Fundraising	3,928	1,523
Insurance	3,472	3,144
Miscellaneous	6,914	1,942
Parking	3,444	3,444
Pottery supplies	941	158
Printing, stationery and office supplies	6,687	6,618
Professional fees	3,620	3,515
Rent	36,331	36,325
Repairs and maintenance	2,504	251
Salaries and benefits	211,190	233,300
Security	438	329
Studio and office equipment	8,970	4,808
Studio Central	43,548	20,444
Telephone, internet and website	4,519	3,871
Upbeat Artworks	34,971	23,581
Utilities	2,477	2,628
	<u>377,437</u>	<u>350,238</u>
Excess of revenue over expenses for the year	\$ 93,733	\$ 41,264

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

ARTBEAT STUDIO INC.

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Unrestricted	Internally restricted	2021	2020
Balance, beginning of year	\$ 106,815	\$ –	\$ 106,815	\$ 65,551
Excess of revenue over expenses for the year	93,733	–	93,733	41,264
Transfers during the year (note 5)	(77,015)	77,015	–	–
Balance, end of year	\$ 123,533	\$ 77,015	\$ 200,548	\$ 106,815

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

ARTBEAT STUDIO INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from (used in) operating activities:		
Excess of revenue over expenses for the year	\$ 93,733	\$ 41,264
Change in non-cash working capital balances:		
Grants and accounts receivable	98,996	129,973
Goods and services taxes receivable	(621)	111
Prepaid expenses	(718)	-
Accounts payable and accrued liabilities	(1,275)	662
Deferred contributions related to expenses of future periods	(91,375)	(129,317)
	98,740	42,693
Cash flows used in investing activities:		
Change in short-term investments	-	(67)
Net increase in cash	98,740	42,626
Cash, beginning of year	127,355	84,729
Cash, end of year	\$ 226,095	\$ 127,355

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

ARTBEAT STUDIO INC.

Notes to Financial Statements

Year ended December 31, 2021

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, 2021

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) Government assistance:

The Organization makes periodic applications for financial assistance under available government incentive programs. Government assistance, which includes the Canada Emergency Wage Subsidy and Canada Emergency Wage Subsidy, is included in the determination of revenue for the year. A liability to repay government assistance, if any, is recorded in the period in which the conditions arise that cause the assistance to become repayable.

(g) 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.

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Short-term investments:

The Organization has a guaranteed investment certificate with Assiniboine Credit Union earning interest at 1.20% (2020 - 2.25%) and maturing on November 6, 2022.

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.

	2021	2020
Balance, beginning of year	\$ 212,091	\$ 341,408
Amounts received or receivable during the year	104,250	82,501
	316,341	423,909
Less: amounts recognized as revenue in the year	(195,625)	(211,818)
Balance, end of year	\$ 120,716	\$ 212,091

	2021	2020
MAC Sustainability	\$ 25,000	\$ -
MAC Pottery	-	15,000
Manitoba Culture, Heritage and Tourism	5,000	5,000
Manitoba Health	12,500	12,500
Manitoba Housing and Community Development	8,750	8,750
The Winnipeg Foundation	-	45,833
Winnipeg Regional Health Authority	62,522	112,508
New Horizons for Seniors	6,250	12,500
Other	694	-
	\$ 120,716	\$ 212,091

5. Internally restricted net assets:

The Board of Directors can internally restrict net assets stipulating that these net assets be used for a specific purpose. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

During the year ended December 31, 2021, the Board approved a transfer from unrestricted net assets to internally restricted net assets of \$77,015 (2020 - nil) for expenditures relating to future programming needs of the Organization.

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Commitments:

The Organization has an operating lease for its studio expiring in November 2022. The minimum annual lease payments in fiscal 2022 until maturity are \$35,200.

7. 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, 2021, the fair value of the fund was \$141,322 (2020 - \$132,000). Total investment revenue earned from the fund in the current year was \$5,431 (2020 - \$5,209).

8. Capital assets:

Furniture and equipment are expensed in the year of acquisition. Furniture and equipment expensed in the current year was \$2,596 (2020 - \$2,556).