

Financial Statements of

ARTBEAT STUDIO INC.

Year ended December 31, 2022

ARTBEAT STUDIO INC.

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INDEPENDENT AUDITOR'S 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, 2022, 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



Auditor's 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 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 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 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 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

April 25, 2023

ARTBEAT STUDIO INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 167,763	\$ 226,095
Grants and accounts receivable	121,576	92,306
Goods and services taxes receivable	2,692	2,760
Short-term investment (note 3)	3,041	3,041
Prepaid expenses	3,393	3,393
	\$ 298,465	\$ 327,595

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,081	\$ 6,331
Deferred contributions - expenses of future periods (note 4)	118,524	120,716
Net assets:		
Unrestricted	93,845	123,533
Internally restricted	77,015	77,015
	170,860	200,548
Commitments (note 5)		
	\$ 298,465	\$ 327,595

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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Province of Manitoba:		
Manitoba Art Council	\$ 64,800	\$ 54,583
Manitoba Health	50,000	50,000
Neighborhood's Alive	35,000	35,000
COVID-19 Bridge Grant	-	15,000
Safe at Home Manitoba	-	20,000
Government of Canada:		
Canada Emergency Wage Subsidy	-	49,261
Canada Emergency Rent Subsidy	-	12,754
Summer Students	6,407	7,485
New Horizons for Seniors	25,000	6,250
Contributions:		
The Winnipeg Foundation	34,840	88,633
Winnipeg Regional Health Authority	49,992	49,992
Co-operators Foundation	22,500	-
Sisters of the Holy Names of Jesus and Mary	7,000	10,500
Victoria Hospital Foundation	17,500	10,500
Prairie Dawn	-	2,500
Other	4,991	6,456
Donations	34,440	35,804
Upbeat Artworks	16,312	9,480
Studio Central	7,313	1,175
Investment revenue	6,390	5,797
Other income	2,760	-
	385,245	471,170
Expenses:		
Artbeat Annual	3,150	2,909
Exhibitions	4,812	574
Fundraising	1,066	3,928
Insurance	4,508	3,472
Miscellaneous	5,839	6,914
Parking	3,500	3,444
Pottery supplies	1,002	941
Printing, stationery and office supplies	7,614	6,687
Professional fees	3,559	3,620
Rent	36,358	36,331
Repairs and maintenance	1,423	2,504
Salaries and benefits	240,979	211,190
Security	329	438
Studio and office equipment	6,839	8,970
Studio Central	34,850	43,548
Telephone, internet and website	9,072	4,519
Upbeat Artworks	47,525	34,971
Utilities	2,508	2,477
	414,933	377,437
Excess (deficiency) of revenue over expenses	\$ (29,688)	\$ 93,733

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

ARTBEAT STUDIO INC.

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Unrestricted	Internally restricted	2022	2021
Balance, beginning of year	\$ 123,533	\$ 77,015	\$ 200,548	\$ 106,815
Excess (deficiency) of revenue over expenses	(29,688)	–	(29,688)	93,733
Balance, end of year	\$ 93,845	\$ 77,015	\$ 170,860	\$ 200,548

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

ARTBEAT STUDIO INC.

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash flows from (used in) operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ (29,688)	\$ 93,733
Change in non-cash working capital balances:		
Grants and accounts receivable	(29,270)	98,996
Goods and services taxes receivable	68	(621)
Prepaid expenses	-	(718)
Accounts payable and accrued liabilities	2,750	(1,275)
<u>Deferred contributions related to expenses of future periods</u>	<u>(2,192)</u>	<u>(91,375)</u>
	(58,332)	98,740
Net increase (decrease) in cash	(58,332)	98,740
Cash, beginning of year	226,095	127,355
<u>Cash, end of year</u>	<u>\$ 167,763</u>	<u>\$ 226,095</u>

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

ARTBEAT STUDIO INC.

Notes to Financial Statements

Year ended December 31, 2022

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, 2022

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 Rent Subsidy, was included in the determination of revenue for the year ended December 31, 2021. 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) 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 fiscal 2021, the Board of Directors internally restricted net assets of \$77,015 for future programming needs of the Organization.

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(h) 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. Short-term investment:

The Organization has a guaranteed investment certificate with Assiniboine Credit Union earning interest at 4.35% (2021 - 1.20%) and maturing on November 6, 2023.

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.

	2022	2021
Balance, beginning of year	\$ 120,716	\$ 212,091
Amounts received or receivable during the year	241,800	104,250
	362,516	316,341
Less: amounts recognized as revenue in the year	(243,992)	(195,625)
Balance, end of year	\$ 118,524	\$ 120,716

	2022	2021
MAC Sustainability	\$ -	\$ 25,000
MAC Pottery	6,000	-
Manitoba Culture, Heritage and Tourism	5,000	5,000
Manitoba Health	12,500	12,500
Manitoba Housing and Community Development	8,750	8,750
Co-operators Foundation	67,500	-
Winnipeg Regional Health Authority	12,530	62,522
New Horizons for Seniors	6,244	6,250
Other	-	694
	\$ 118,524	\$ 120,716

ARTBEAT STUDIO INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Commitments:

The Organization has an operating lease for its studio expiring in November 2025. The minimum annual lease payments are as follows:

2023	\$	39,060
2024		39,060
2025		35,805
	\$	113,925

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, 2022, the fair value of the fund was \$125,749 (2021 - \$141,322). Total investment revenue earned from the fund in the current year was \$5,918 (2021 - \$5,431).

7. Capital assets:

Furniture and equipment are expensed in the year of acquisition. Furniture and equipment expensed in the current year was \$1,602 (2021 - \$2,596).