

VIBE ARTS
YEAR ENDED AUGUST 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the directors of

VIBE ARTS

Qualified Opinion

We have audited the financial statements of VIBE Arts, which comprise the statement of financial position as at August 31, 2020 and the statements of operations, changes in net assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of VIBE Arts as at August 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis for Qualified 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 the organization 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 qualified opinion.

The organization applied and received government assistance (see Note 9(c)). The government has not provided enough clarification on eligibility criteria around revenue recognition for not-for-profits and as a result, the accuracy of revenues used to determine eligibility is not susceptible to satisfactory audit verification, nor is the corresponding subsidy claim. Accordingly, our verification of the government assistance was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to government assistance revenue, excess (deficiency) of revenue over expenditures, assets and net assets.

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 (ASNFPO), 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

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 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:

- 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 organization's internal controls.
- 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 organization'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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization 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 with those charged with governance regarding, amongst 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.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
December 14, 2020



VIBE ARTS

STATEMENT OF OPERATIONS

For the year ended August 31,	2020			2019		
	General	Outreach	Total	General	Outreach	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Foundation grants	93,329	187,579	280,908	2,000	246,879	248,879
Ontario Trillium Foundation grants	-	30,214	30,214	-	105,765	105,765
Ontario Arts Council grants	76,842	-	76,842	83,524	-	83,524
Other provincial grants	-	-	-	-	6,427	6,427
Toronto Arts Council grants	68,000	-	68,000	68,000	26,000	94,000
Municipal government grants	-	21,500	21,500	-	77,282	77,282
Federal government grants	-	112,693	112,693	-	30,000	30,000
Corporate donations	1,500	38,644	40,144	1,000	30,765	31,765
Individual donations	6,697	112,248	118,945	200	85,072	85,272
Sponsorships	-	57,841	57,841	50,000	67,993	117,993
Fundraising events	2,855	1,771	4,626	96,550	13,475	110,025
OACF Arts Endowment Fund (Note 7)	21,734	-	21,734	14,655	-	14,655
Government wage subsidy (Note 9(c))	50,847	79,450	130,297	-	-	-
Interest and other income	7,689	18,672	26,361	8,337	13,386	21,723
	329,493	660,612	990,105	324,266	703,044	1,027,310
Expenses						
Salaries and benefits	186,347	291,171	477,518	200,450	384,735	585,185
Artist fees	-	138,468	138,468	8,330	192,886	201,216
Art supplies	391	56,036	56,427	147	92,798	92,945
Professional fees	4,415	4,415	8,830	5,801	5,801	11,602
Consulting fees	-	4,164	4,164	2,230	1,927	4,157
Fundraising	1,794	42,135	43,929	16,663	2,678	19,341
Marketing and communication	1,604	5,998	7,602	4,642	3,170	7,812
General and administration	19,417	15,910	35,327	19,953	2,530	22,483
Insurance	3,190	-	3,190	3,456	-	3,456
Lunches and snacks	-	1,683	1,683	615	3,412	4,027
Professional development	35	968	1,003	902	1,889	2,791
Rent	45,613	19,666	65,279	46,599	23,696	70,295
Amortization	1,504	5,862	7,366	29,088	5,862	34,950
	264,310	586,476	850,786	338,876	721,384	1,060,260
Excess (deficiency) of revenues over expenses	65,183	74,136	139,319	(14,610)	(18,340)	(32,950)

See accompanying notes.



STATEMENT OF CHANGES IN NET ASSETS

For the year ended August 31, 2020	General \$	Outreach \$	Reserve fund - general \$	Total \$
Beginning of year	79,440	56,079	145,000	280,519
Excess of revenues over expenses for the year	65,183	74,136	-	139,319
End of year	144,623	130,215	145,000	419,838

For the year ended August 31, 2019	General \$	Outreach \$	Reserve fund - general \$	Total \$
Beginning of year	94,050	74,419	145,000	313,469
Deficiency of revenues over expenses for the year	(14,610)	(18,340)	-	(32,950)
End of year	79,440	56,079	145,000	280,519

See accompanying notes.

VIBE ARTS
STATEMENT OF CASH FLOW

For the year ended August 31,	2020 \$	2019 \$
Operating activities		
Excess (deficiency) of revenues over expenses for the year	139,319	(32,950)
Item not involving cash Amortization of capital assets	7,366	34,950
Working capital from operations	146,685	2,000
Net change in non-cash working capital balances related to operations	(70,493)	34,643
Cash from operations	76,192	36,643
Investing activities		
Redemption (reinvestment) of GICs	(6,684)	102,803
Change in cash and cash equivalents during the year	69,508	139,446
Cash and cash equivalents		
Beginning of year	525,025	385,579
End of year	594,533	525,025

See accompanying notes.

VIBE ARTS

STATEMENT OF FINANCIAL POSITION

As at August 31,	2020 \$	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	594,533	525,025
Short term investments (Note 2)	209,371	202,687
Accounts receivable	21,333	20,638
Government wage subsidy receivable (Note 9(c))	21,446	-
HST receivable	6,691	16,552
Prepaid expenses	13,679	25,906
	867,053	790,808
Capital assets (Note 3)	8,793	16,156
	875,846	806,964
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	30,716	41,935
Deferred revenue (Note 4)	330,542	294,760
Deferred program expansion (Note 5)	80,000	75,000
	441,258	411,695
Deferred program expansion (Note 5)	-	100,000
Mural maintenance reserve	14,750	14,750
	456,008	526,445
NET ASSETS		
General	144,623	79,440
Outreach	130,215	56,079
Reserve fund - general	145,000	145,000
	419,838	280,519
	875,846	806,964

Other information (Note 9)

See accompanying notes.

Approved on behalf of the Board:

Director

Director



VIBE Arts was established in 1995 with the principal goal of engaging children and youth from underserved communities in the Greater Toronto Area in the arts, through participation in accessible, high quality and innovative programs.

VIBE is incorporated without share capital under Ontario law and is a tax-exempt registered charity under Section 149(1)(f) of the Income Tax Act (Canada) and as such is exempt from income taxes and is able to issue tax receipts to donors.

1. Significant accounting policies

The financial statements were prepared 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.

Contributions including grants, donations and sponsorships, that are earmarked for outreach programs are recognized as revenue when the related expenditure is incurred.

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

Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are incurred. Where funds are received in connection with the creation of public artworks where a maintenance fund is required to be maintained, funds received are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related maintenance expenses are incurred.

Program fees are recognized as revenue when the programs are held.

OACF Arts Endowment Fund distributions are recorded as revenue when received.

Interest and other revenue are recognized on an accrual basis.

1. Significant accounting policies (cont'd)*(b) Fund accounting*

The financial statements include the following funds:

- The General fund accounts for the general operating activities of VIBE;
- The Outreach fund accounts for the outreach programs intended to enhance arts education in the broader community. Revenues recognized in this fund include amounts designated by the contributor to be used for outreach programs;
- The Reserve fund - general is an internally restricted fund created as a reserve against potential interruptions in funding or other revenues.

(c) Government assistance

Government assistance, in the form of a wage subsidy, is recognized in the period the eligible wages were paid and where there is reasonable assurance that the assistance will be received and all attached conditions will be complied with by the organization.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with chartered banks less outstanding cheques, and short term money market instruments which are readily convertible into a known amount of cash, are subject to insignificant risk of changes in value, and with terms to maturity of three months or less at the date of purchase.

1. Significant accounting policies (cont'd)*(e) Capital assets*

Capital assets are stated at cost. Amortization is recorded at rates calculated to charge the cost of the assets to operations over their estimated useful lives. Maintenance and repairs are charged to operations as incurred. Gains and losses on disposals are calculated on the remaining net book value at the time of disposal and included operations.

Amortization is charged to operations on a straight-line basis at the following annual rates:

Audio/visual equipment	-	5 years
Computer software	-	3 years
Motor vehicle	-	3 years

The organization reviews the carrying amounts of its capital assets regularly. If the capital assets no longer have any long-term service potential to the organization, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

(f) Contributed services

The organization accepts donations in kind. The value of contributed goods is recognized if a fair value can be reasonably estimated and the goods are used in the normal course of operations and would otherwise have been purchased. Goods contributed for resale at fundraising events are not recognized in these statements, as the fundraising revenues are recognized. Volunteers are critical for the operations of VIBE and contribute significantly to its activities; due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenditures during the period. Actual results could differ from these estimates.

VIBE ARTS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

1. **Significant accounting policies (cont'd)**

(h) *Financial instruments*

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for short term investments, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

The organization's financial instruments that are measured at amortized cost consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and deferred revenue.

2. **Short-term investments**

The guaranteed investment certificate earns interest of 1.00% per annum (2019 - 1.80% to 2.54% per annum) and matures on May 7, 2021 (2019 - April 13, 2020).

3. **Capital assets**

	Cost \$	Accumulated amortization \$	Net Book Value	
			2020 \$	2019 \$
Audio/Visual equipment	58,162	58,162	-	1,178
Computer software	28,389	28,389	-	323
Motor vehicle	29,310	20,517	8,793	14,655
	115,861	107,068	8,793	16,156

4. Deferred revenue

Deferred revenue includes amounts received for programs to be delivered in future periods. Deferred revenue is recorded when the funds are received, and recognized as revenue in the year the related expenditure takes place:

	2020 \$	2019 \$
Balance - beginning of year	294,760	199,236
Amounts received	620,070	755,022
Recognized as revenue	(598,981)	(675,724)
Receivable, end of year	14,693	16,226
	330,542	294,760

5. Deferred program expansion

In October 2014, the organization received a donation of \$400,000 restricted by the donor to be used towards costs of expanded programs. During the year \$95,000 (2019 - \$75,000) of these funds were applied to program expansion. Management anticipates that the remaining \$80,000 of these funds will be expended during fiscal 2021.

6. Significant contributed services

During the year the organization received a contribution of in-kind advertising spaces with an estimated value of \$100,000 (2019 - \$100,000). These spaces are used to exhibit project work and for the general promotion of VIBE. The organization also received in-kind printing with an estimated value of \$15,000 and storage unit service with an estimated value of \$4,746. In accordance with VIBE's accounting policies these amounts are not recognized in the financial statements.

7. Endowment fund distribution

VIBE has established the VIBE Arts Endowment Fund under the terms of the Arts Endowment Fund ("AEF") Program. The AEF is a program of the Government of Ontario through the Ministry of Culture, administered by the Ontario Arts Council Foundation. During the year, VIBE did not make any contributions to the AEF (2019 - nil) and there were no matching funds received from the AEF during the year (2019 - nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2020 was \$314,744 (2019 - \$327,372). Under the program, VIBE is entitled to annual distributions based on the fair market value of the fund. During the year, VIBE received a distribution of \$14,489 (2019 - \$14,655) as well as a special distribution of \$7,245, which has been included in General fund revenues. The assets of the endowment fund are not reflected in these financial statements.

8. Third-party programs administered by VIBE

VIBE administers the distribution of certain grants for unrelated third parties. During the year VIBE received \$67,805 (2019 - \$95,000) in funding from the Ontario Trillium Foundation and other funders of which \$62,025 (2019 - \$85,000) was disbursed to RISE Edutainment, a community-based initiative to engage youth in their communities; the remainder was retained by VIBE to fund the costs of administering the grant. The net amount is reflected in the revenues of VIBE.

In addition, VIBE received \$40,200 (2019 - \$0) in funding from the Ontario Trillium Foundation of which \$34,974 (2019 - \$0) was disbursed to AfroWaveTO, a community-based initiative creating a safe and inclusive space for youth and upcoming artists to express themselves; the remainder was retained by VIBE to fund the costs of administering the grant. The net amount is reflected in the revenues of VIBE.

9. Other Information

(a) *Lease commitments*

The organization is committed under multiple net leases for premises until July 31, 2022. Lease payments are approximately as follows:

	<u>\$</u>
2020	59,380
2021	<u>55,630</u>
	<u>115,010</u>

(b) *Financial instruments*

The organization is exposed to the following significant financial risks:

(i) *Liquidity risk*

Liquidity risk is the risk that the organization may not be able to meet its financial obligations as they become due. The organization manages its liquidity risk by monitoring and managing the cash requirements to ensure the organization has sufficient funds to meet its operational requirements.

(ii) *Credit risk*

The organization is exposed to credit risk in the event of non-payment in connection with its accounts receivable. The exposure to credit risk is the carrying value of accounts receivable on the statement of financial position.

(iii) *Interest risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk with respect to its investments in interest bearing financial instruments. The foundation does not use derivative financial instruments to alter the effects of this risk.

9. Other information (cont'd)*(c) Government wage subsidy*

During the year the organization claimed \$130,297 in government assistance in the form of the Canada Emergency Wage Subsidy (CEWS) offered by the Canadian government resulting from the COVID-19 pandemic. A receivable of \$21,446 is recognized as of year end.

(d) COVID-19

The outbreak of the novel coronavirus ("COVID-19"), in March 2020, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included travel bans, state and country lockdowns, self-imposed quarantine periods and social distancing have created material disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unknown at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results of the organization nor its future condition and operations in future periods. It is management's assumption that the organization will continue to operate as a going concern.

(e) Comparative figures

The fiscal 2019 figures have been reclassified where necessary to conform to the presentation adopted in the current year.