

Arts for Children and Youth

(incorporated without share capital under the laws of
the Province of Ontario)

Financial Statements

August 31, 2014

WILLIAM MOLSON CPA, CA

2335 Queen Street East
Toronto
ON M4E 1H1
Canada

Tel: 416 930 1651
Fax: 416 694 5141

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arts for Children and Youth

I have audited the accompanying financial statements of **Arts for Children and Youth** which comprise the statement of financial position as at August 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion these financial statements present fairly, in all material respects, the financial position of **Arts for Children and Youth** as at August 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

William Molson CPA, CA

Chartered Professional Accountant, Licensed Public Accountant

Toronto, Ontario
February 23, 2015

Arts for Children and Youth

Statement of Financial Position

As at August 31, 2014

	2014 \$	2013 \$
Assets		
Current		
Cash and cash equivalents	417,570	403,115
GICs (note 3)	180,927	-
Amounts receivable	13,029	7,494
Recoverable sales tax	21,201	23,266
Prepaid expense	<u>5,947</u>	<u>4,661</u>
Total current assets	638,674	438,536
Tangible capital assets, net of amortization (note 4)	<u>29,727</u>	<u>41,204</u>
	<u>668,401</u>	<u>479,740</u>
Liabilities		
Current		
Accounts payable and accrued charges	24,819	23,184
Source deductions payable	-	6,267
Microgrants and youth-led initiatives (note 10)	4,027	6,504
Deferred revenue (note 6)	<u>357,011</u>	<u>317,101</u>
Total current liabilities	385,857	353,056
Deferred capital contributions (note 7)	<u>38,573</u>	<u>46,809</u>
	<u>424,430</u>	<u>399,865</u>
Fund balances		
General	72,151	33,395
Invested in capital assets	29,727	41,204
Outreach	22,093	5,276
Reserve fund - general	<u>120,000</u>	<u>-</u>
	<u>243,971</u>	<u>79,875</u>
	<u>668,401</u>	<u>479,740</u>

Approved on behalf of the Board:



Treasurer



Chair

Arts for Children and Youth

Statement of Operations

For the year ended August 31, 2014

	General		Outreach		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Revenues						
Foundation grants	8,000	18,592	278,594	232,209	286,594	250,801
Ontario Trillium Foundation grant	-	-	75,426	75,533	75,426	75,533
Ontario Arts Council grant	75,000	89,814	-	-	75,000	89,814
Toronto Arts Council grants (note 10)	37,000	12,000	82,720	-	119,720	12,000
Municipal government grants	-	-	67,383	50,813	67,383	50,813
Federal government grants	-	-	41,000	28,500	41,000	28,500
Corporate donations	517	7,184	69,000	70,480	69,517	77,664
Individual donations	106,082	-	9,698	31,781	115,780	31,781
Sponsorships	65,000	24,266	88,400	92,300	153,400	116,566
Fundraising events (note 8)	68,485	41,090	2,815	1,428	71,300	42,518
Program fees	-	-	35,678	21,891	35,678	21,891
OACF Arts Endowment Fund (note 9)	12,738	10,269	-	-	12,738	10,269
Interest	2,681	1,240	-	-	2,681	1,240
	<u>375,503</u>	<u>204,455</u>	<u>750,714</u>	<u>604,935</u>	<u>1,126,217</u>	<u>809,390</u>
Expenditures						
Salaries and benefits	105,897	57,487	324,274	284,330	430,171	341,817
Artist fees	-	-	282,811	208,105	282,811	208,105
Art supplies	-	-	63,634	53,971	63,634	53,971
Accounting and legal	2,000	2,065	2,000	2,065	4,000	4,130
Bad debts	-	-875	-	-	-	-875
Consulting fees	-	-	8,388	6,237	8,388	6,237
Fundraising (note 8)	52,964	50,866	2,516	1,586	55,480	52,452
General and administration	30,779	26,623	14,701	27,892	45,480	54,515
Insurance	3,086	3,044	-	-	3,086	3,044
Interest and bank charges	680	220	-	-	680	220
Lunches and snacks	-	-	7,335	4,346	7,335	4,346
Profession development	272	99	2,968	110	3,240	209
TAC Platform A microgrants	-	-	8,549	-	8,549	-
Rent	25,454	23,197	8,485	7,797	33,939	30,994
Amortization	7,092	6,303	8,236	8,687	15,328	14,990
	<u>228,224</u>	<u>169,029</u>	<u>733,897</u>	<u>605,126</u>	<u>962,121</u>	<u>774,155</u>
Excess of revenues over expenditures for the year	<u>147,279</u>	<u>35,426</u>	<u>16,817</u>	<u>-191</u>	<u>164,096</u>	<u>35,235</u>

Arts for Children and Youth

Statement of changes in fund balances

For the year ended August 31, 2014

	<u>General</u>		<u>Outreach</u>		<u>Reserve fund - general</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	74,599	39,173	5,276	5,467	-	-	79,875	44,640
Excess of revenues over expenditures for the year	147,279	35,426	16,817	-191	-	-	164,096	35,235
Interfund transfer (note 13)	-120,000	-	-	-	120,000	-		
Fund balances, end of year	<u>101,878</u>	<u>74,599</u>	<u>22,093</u>	<u>5,276</u>	<u>120,000</u>	<u>-</u>	<u>243,971</u>	<u>79,875</u>

Composition of General fund:

Operating	72,151	33,395
Invested in capital assets	29,727	41,204
	<u>101,878</u>	<u>74,599</u>

Arts for Children and Youth

Statement of Cash Flows

For the year ended August 31, 2014

	2014	2013
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures	164,096	35,235
Item not affecting cash: Amortization	15,328	14,990
Changes in non-cash working capital items		
(Increase) in GICs held	-180,927	-
(Increase) in amounts receivable	-5,535	9,511
Decrease in recoverable sales tax	2,065	-4,143
(Increase) in prepaid expense	-1,286	-228
Increase in accounts payable and accrued charges	1,635	6,540
(Decrease) in source deductions payable	-6,267	-152
(Decrease) in micro-grant and youth-led initiatives funds held	-2,477	6,504
Increase in deferred revenue	39,910	111,151
(Decrease) in deferred capital contributions	-8,236	-8,687
	<u>18,306</u>	<u>170,721</u>
Investing activities		
Purchase of tangible capital assets	<u>-3,851</u>	<u>-45,239</u>
Net change in cash and cash equivalents during the year	<u>14,455</u>	<u>125,482</u>
Cash and cash equivalents - Beginning of year	<u>403,115</u>	<u>277,633</u>
Cash and cash equivalents - End of year	<u>417,570</u>	<u>403,115</u>

Arts for Children and Youth

Notes to Financial Statements

August 31, 2014

1 Nature of operations

Arts for Children and Youth 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.

AFCY 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-deductible receipts to donors.

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies followed in the preparation of these financial statements are outlined below.

Fund accounting

The financial statements include the following funds:

- i. The General fund accounts for the general operating activities of AFCY;
- ii. 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;
- iii. Invested in capital assets is a distinct portion of the General fund that accounts for capital assets purchased with capital grants restricted by the donor, as well as capital assets purchased with unrestricted funds. The capital assets included in this fund are amortized at varying rates as set out below;
- iv. The Reserve fund – general is an internally restricted fund created as a reserve against potential interruptions in funding or other revenues.

Revenue recognition

AFCY follows the deferral method of accounting for contributions.

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

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

Contributions designated by the donors for capital acquisition are initially recorded as deferred revenue and are recognized in revenue at the same rate as the related capital asset acquired is amortized.

Interest and other revenue are recognized on an accrual basis.

Contributed goods and services

AFCY accepts donations in kind. The value of contributed goods is recognized when received 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. Fundraising revenues are recognized when received or receivable and the amount can reasonably estimated and collection is reasonably assured; 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 AFCY and contribute significantly to its activities; due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash includes cash on hand, deposits with chartered banks, 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.

Arts for Children and Youth
Notes to Financial Statements
August 31, 2014

Financial instruments

AFCY initially measures its financial assets and liabilities at fair value. AFCY subsequently measures all its financial assets and financial liabilities at amortized cost, except for its cash and cash equivalents and segregated funds, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include amounts and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

AFCY recognizes its transaction costs in the excess of revenues over expenditures in the period incurred.

Deferred revenue

Deferred revenue received includes amounts received in respect of programs to be delivered in future periods, amounts received that have been designated for future expansion, and amounts received for the purpose of acquiring capital assets. Deferred revenue is recorded when the funds are received, and recognized as revenue in the year the related expenditure takes place.

Deferred capital contributions

Contributions received for the specific purpose of acquiring capital assets are recorded as deferred capital contributions, and recognized as revenue of the capital asset fund at the same rate that the related assets are amortized.

Capital assets

Capital assets are recorded at cost and amortized at the following rates, over the expected useful life of the particular assets.

Furniture and equipment	Straight-line basis over 5 years
Audio/Visual equipment	Straight-line basis over 5 years
Leasehold improvements	Straight-line basis over 5 years
Computer hardware	Straight-line basis over 3 years
Computer software	Straight-line basis over 5 years

Amortization is calculated on a monthly basis.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Such estimates include the useful lives of the capital assets. Actual results could differ from those estimates.

3 GICs

AFCY holds term deposits with maturities exceeding three months at the time of purchase, acquired with funds that have been deferred for future program costs. Term deposits with maturities of three months or less are reported under cash and cash equivalents. Term deposits with maturities exceeding three months at the time of purchase and held at August 31, 2014 have varying terms and bear interest at the following rates.

	Principal	Maturity	Interest rate
	\$		%
GIC	100,308	Sept. 23, 2014	1.25
GIC	30,000	Oct. 18, 2014	1.20
GIC	50,333	Nov. 28, 2014	1.20
Accrued interest	286		
	<u>180,927</u>		

Arts for Children and Youth
Notes to Financial Statements
August 31, 2014

4 Tangible capital assets

Capital assets consist of the following:

	2014			2013	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 11,595	\$ 11,595	\$ -	\$ -	
Audio/Visual equipment	41,792	17,632	24,160	34,899	
Furniture and equipment	17,367	15,616	1,751	2,478	
Computer hardware	29,282	26,274	3,008	3,216	
Computer software	27,819	27,011	808	610	
	<u>\$ 127,856</u>	<u>\$ 98,129</u>	<u>\$ 29,727</u>	<u>\$ 41,203</u>	

5 Financial instruments

AFCY is exposed to various risks through its financial instruments. The following analysis provides a measure of AFCY's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
			Currency	Interest rate	Other Price
Cash and cash equivalents				X	X
Amounts receivable	X	X			
Amounts payable and accrued charges		X			

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. AFCY is exposed to credit risk through amounts receivable. While amounts receivable are generally unsecured, AFCY has management procedures in place to mitigate the risk of loss with respect to amounts receivable.

Liquidity risk

Liquidity risk is the risk that AFCY will not be able to meet a demand for cash or fund its obligations as they come due. AFCY meets its liquidity requirements by preparing and monitoring forecasts of cash flows from its activities, preparing budgets, anticipating investing and financing activities, and holding assets that can be readily converted into cash, including amounts specifically reserved to meet liquidity requirements.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk reflects the risks that AFCY's earnings will decline due to fluctuations in foreign currency exchange rates. AFCY does not have assets or liabilities expressed in foreign currencies. As a result, AFCY is not subject to currency risk.

Arts for Children and Youth
Notes to Financial Statements
August 31, 2014

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure of AFCY to interest rate risk arises from its short-term GICs and money market investments included in cash and cash equivalents. Fluctuations in market rates of interest are not expected to have a significant impact on AFCY's operations.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market. The exposure of AFCY to interest rate risk arises from its money market investments included in cash and cash equivalents. Fluctuations in market rates of interest are not expected to have a significant impact on AFCY's operations.

6 Deferred revenue

Deferred revenue includes cash received from various donors specifically earmarked for projects that will be undertaken in future years.

	2014	2013
Deferred revenue, beginning of year	\$ 317,101	\$ 205,950
Less: amounts recognized as revenue in the year	(302,546)	(191,395)
Add: amounts received relating to future year expenditures	342,456	302,546
Deferred revenue, end of year	<u>\$ 357,011</u>	<u>\$ 317,101</u>

7 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in fund balances revenue and expenses. The changes in the deferred capital contributions balance are as follows:

	2014	2013
Deferred capital contributions, beginning of year	\$ 46,809	\$ 55,496
Add: amounts received in the year	-	-
Less: amounts recognized as revenue in the year	(8,236)	(8,687)
Deferred capital contributions, end of year	<u>\$ 38,573</u>	<u>\$ 46,809</u>

8 Fundraising events

During the year AFCY held a major fundraising event. Fundraising revenue includes proceeds of \$58,737 (2013 – 29,450) from the auction of donated artworks. The initial donation of the artworks is not accounted for in these financial statements.

Arts for Children and Youth

Notes to Financial Statements

August 31, 2014

9 Arts Endowment Fund

AFCY has established the Arts for Children and Youth 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, AFCY did not make any contributions to the AEF (2013: nil) and there were no matching funds received from the AEF during the year (2013: nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2014 was \$301,342 (2013: \$275,557). Under the program, AFCY is entitled to annual distributions based on the fair market value of the fund. During the year, AFCY received a distribution of \$12,738 (2013: \$10,269) which has been included in the General fund revenues.

10 Microgrants and youth-led initiatives

During the year AFCY received \$7,870 (2013 – nil) in directed microgrants from the Toronto Arts Council. At yearend undisbursed microgrants totaled \$150 (2013 – nil).

AFCY is responsible to administer and account for certain “Identify N Impact” funds advanced by the City of Toronto to promote qualifying youth-led groups to carry out projects providing meaningful opportunities for youth leadership and empowerment. At yearend, AFCY held \$3,877 (2013 - \$6,504) in Identify N Impact funds.

11 Lease commitments

AFCY has entered into a premises lease commitment for a three-year term expiring on July 31, 2016. The remaining minimum annual lease payments exclusive of hydro and sales taxes are: 2015 - \$32,508; 2016 - \$34,133.

During the previous year AFCY entered into a 66-month lease for a photocopier to June 20, 2018. Future minimum lease payments before sales tax are as follows: 2015 through 2017 - \$1,660 annually; 2018 - \$1,384.

12 Capital management

AFCY’s objective, when managing capital, is to have sufficient liquid resources available for general and outreach activities and to safeguard the entity’s ability to continue as a going concern, so that it can continue to achieve its main purpose (note 1 above). AFCY defines its capital as cash and cash equivalents, GICs and fund balances.

13 Interfund transfer

The directors have approved the transfer of \$120,000 to a general reserve fund, to provide funds for operations in the event of an interruption in funding or other revenues.

14 Correction of prior figures

During the year it was determined that the deferred revenue had been understated by \$14,555 in the year ended August 31, 2012 in respect of a particular program, and this amount remained deferred at August 31, 2014. Deferred revenue has been increased, and the outreach fund balance decreased, by this amount as at August 31, 2012 and August 2013.

15 Comparative figures

Certain figures presented for comparative purposes have been reclassified to conform to the current year’s presentation.