



Financial Statements

**VIBE Arts**

**August 31, 2017**

**[www.vibearts.ca](http://www.vibearts.ca)**

WILLIAM MOLSON CPA, CA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**VIBE Arts**

I have audited the accompanying financial statements of **VIBE Arts** which comprise the statement of financial position as at August 31, 2017, 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 **VIBE Arts** as at August 31, 2017, 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 CAA, CA*

Chartered Professional Accountant, Licensed Public Accountant

Toronto, Ontario  
December 4, 2017

# VIBE Arts

## Statement of Financial Position

As at August 31, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	270,580	292,800
GICs due within one year (note 4)	455,448	609,363
Amounts receivable	10,752	23,776
Recoverable sales tax	20,390	24,006
Prepaid expense	26,282	8,298
<b>Total current assets</b>	783,452	958,243
GICs due in more than one year (note 4)	201,277	125,146
Tangible capital assets, net of amortization (note 5)	50,903	29,062
<b>Total assets</b>	1,035,632	1,112,451
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued charges	14,802	42,292
Source deductions payable	16,496	-
Microgrants and youth-led initiatives (note 14)	395	150
Deferred revenue (note 7)	351,418	365,231
Deferred program expansion (note 9)	150,000	200,000
<b>Total current liabilities</b>	533,111	607,673
Deferred capital contributions (note 8)	209	19,063
Deferred program expansion (note 9)	200,000	200,000
Mural maintenance reserve	7,500	11,500
<b>Total liabilities</b>	740,820	838,236
<b>Fund balances</b>		
General	105,761	119,444
Outreach	44,051	9,771
Reserve fund - general	145,000	145,000
<b>Total fund balances</b>	294,812	274,215
	1,035,632	1,112,451

Approved on behalf of the Board:



Treasurer



Chair

See accompanying Notes to financial statements

# VIBE Arts

Statement of Operations

For the year ended August 31, 2017

	<b>General</b>		<b>Outreach</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>						
Foundation grants	1,500	9,500	481,227	254,300	482,727	263,800
Ontario Trillium Foundation grants	-	-	128,725	75,546	128,725	75,546
Ontario Arts Council grants	78,731	78,731	-	-	78,731	78,731
Other provincial grants	-	-	-	1,000	-	1,000
Toronto Arts Council grants (note 14)	62,000	48,000	61,755	87,000	123,755	135,000
Municipal government grants	-	-	35,800	103,045	35,800	103,045
Federal government grants	658	1,367	22,904	25,700	23,562	27,067
Corporate donations	15,000	16,750	55,329	73,804	70,329	90,554
Individual donations	25,547	29,046	-	-	25,547	29,046
Sponsorships	43,333	55,500	163,267	163,092	206,600	218,592
Fundraising events (note 10)	103,914	77,437	3,320	-	107,234	77,437
Program fees	-	-	28,850	27,922	28,850	27,922
OACF Arts Endowment Fund (note 12)	14,357	15,138	-	-	14,357	15,138
Interest	5,891	5,381	-	-	5,891	5,381
Other	11,024	13,251	21,557	8,964	32,581	22,215
	<b>361,955</b>	<b>350,101</b>	<b>1,002,734</b>	<b>820,373</b>	<b>1,364,689</b>	<b>1,170,474</b>
<b>Expenditures</b>						
Salaries and benefits	177,194	160,439	404,972	392,704	582,166	553,143
Artist fees	-	-	271,465	247,750	271,465	247,750
Art supplies	-	-	191,434	87,796	191,434	87,796
Collaboration partners (note 13)	-	-	31,100	24,000	31,100	24,000
Accounting and legal	4,946	5,435	4,946	2,500	9,892	7,935
Consulting fees	13,693	2,531	-	-	13,693	2,531
Fundraising (note 10)	63,203	66,358	6,010	1,646	69,213	68,004
Marketing and communication	20,572	25,935	-	-	20,572	25,935
General and administration	36,835	30,440	3,587	5,674	40,422	36,114
Insurance	2,340	3,177	-	-	2,340	3,177
Interest and bank charges	988	1,155	-	-	988	1,155
Lunches and snacks	-	-	6,466	8,219	6,466	8,219
Professional development	1,760	2,987	2,061	1,962	3,821	4,949
TAC Platform A and microgrants	-	-	13,156	19,094	13,156	19,094
Rent	48,569	45,082	16,190	15,028	64,759	60,110
Amortization	5,538	7,211	17,067	13,623	22,605	20,834
	<b>375,638</b>	<b>350,750</b>	<b>968,454</b>	<b>819,996</b>	<b>1,344,092</b>	<b>1,170,746</b>
<b>Excess of revenues over expenditures for the year</b>	<b>(13,683)</b>	<b>(649)</b>	<b>34,280</b>	<b>377</b>	<b>20,597</b>	<b>(272)</b>

See accompanying Notes to financial statements

## VIBE Arts

Statement of changes in fund balances

For the year ended August 31, 2017

	<b>General</b>		<b>Outreach</b>		<b>Reserve fund - general</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund balances at the beginning of the year</b>	119,444	120,093	9,771	9,394	145,000	145,000	274,215	274,487
Excess of revenues over expenditures for the year	(13,683)	(649)	34,280	377	-	-	20,597	(272)
Interfund transfer	-	-	-	-	-	-		
Interfund transfer	-	-	-	-	-	-		
<b>Fund balances at the end of the year</b>	<b>105,761</b>	<b>119,444</b>	<b>44,051</b>	<b>9,771</b>	<b>145,000</b>	<b>145,000</b>	<b>294,812</b>	<b>274,215</b>

See accompanying Notes to financial statements

# VIBE Arts

## Statement of Cash Flows

For the year ended August 31, 2017

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	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Cash received from grants, contributions, sponsorships and earned revenues	1,278,414	1,175,386
Cash paid to artists, employees, suppliers and for government remittances	(1,354,281)	(1,169,202)
Distribution from Arts Endowment Fund	14,357	15,138
Interest received	5,953	5,562
	<u>(55,557)</u>	<u>26,884</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible capital property	(44,447)	(9,183)
Redemption of GICs	77,784	123,653
	<u>33,337</u>	<u>114,470</u>
<b>Net change in cash during the year</b>	(22,220)	141,354
<b>Cash at the beginning of the year</b>	<u>292,800</u>	<u>151,446</u>
<b>Cash at the end of the year</b>	<u>270,580</u>	<u>292,800</u>

See accompanying Notes to financial statements

# VIBE Arts

## Notes to Financial Statements

August 31, 2017

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### 1 Nature of operations

VIBE Arts (formerly 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.

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-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 VIBE;
- 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. The Reserve fund – general is an internally restricted fund created as a reserve against potential interruptions in funding or other revenues.

#### Revenue recognition

VIBE follows the deferral method of accounting for contributions.

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

#### Contributed goods and services

VIBE 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. 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.

# VIBE Arts

## Notes to Financial Statements

August 31, 2017

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### Cash and cash equivalents

Cash 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.

### Financial instruments

VIBE initially measures its financial assets and liabilities at fair value. VIBE 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 GICs, and amounts and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

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

### Tangible capital assets

Tangible 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 3 years
Motor vehicle	Straight-line basis over 5 years

Amortization is recorded at half the above rate in the year of acquisition.

### Deferred revenue

Deferred revenue includes amounts received in respect of 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.

### Deferred capital contributions

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

### Deferred program expansion

Deferred program expansion includes a contribution received in the year for the specific purpose of program expansion. The balance is recognized as revenue in the year the related expenditure takes place, or as revenue at the same rate that the related capital assets acquired are amortized, as the case may be.

### Mural maintenance reserve

VIBE is obligated to maintain certain public murals for varying periods, generally not in excess of five years from the date of installation. Portions of funding received are deferred and accounted for in the mural maintenance reserve on a specific project basis. Deferred mural maintenance reserves are recorded when the funds are received, and recognized as revenue in the year the related expenditure takes place.



## VIBE Arts

### Notes to Financial Statements

August 31, 2017

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#### 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, and the appropriate amount of revenue deferral. Actual results could differ from those estimates.

#### 3 Change in accounting policy

During the year VIBE changed its accounting policy with respect to the amortization of tangible capital property in order to simplify the accounting procedures required, by calculating amortization on an annual basis by class of asset, with half the rate of amortization applied in the year of acquisition. Previously, amortization was calculated on a monthly basis by individual asset. This policy has been applied on a prospective basis as changes to previously calculated balances was considered impracticable and the impact on accumulated balances was not material.

#### 4 GICs

VIBE 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, and money market mutual funds, are reported under cash and cash equivalents.

Term deposits due within one year, with maturities exceeding three months at the time of purchase and held at August 31, 2017 have varying terms and bear interest at the following rates.

	Principal	Maturity	Interest rate
	\$		%
GIC	204,147	Sept. 15, 2017	.68
GIC	150,000	Oct. 23, 2017	1.00
GIC	100,000	April 11, 2018	1.15
Accrued interest	1,301		
	<u>455,448</u>		

Term deposits due beyond one year, with maturities exceeding three months at the time of purchase and held at August 31, 2016 have varying terms and bear interest at the following rates.

	Principal	Maturity	Interest rate
	\$		%
GIC	100,000	April 10, 2019	1.46
GIC	100,000	April 13, 2020	1.80
Accrued interest	1,277		
	<u>201,277</u>		

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Notes to Financial Statements  
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**5 Tangible capital assets**

Capital assets consist of the following:

	2017			2016	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 34,016	\$ 22,307	\$ 11,709	\$ 17,270	
Audio/Visual equipment	48,493	43,211	5,282	8,013	
Furniture and equipment	20,089	17,430	2,659	934	
Computer hardware	43,170	38,296	4,874	2,846	
Computer software	27,819	27,819	-	-	
Motor vehicle	29,310	2,931	26,379	-	
	\$ 202,897	\$ 151,994	\$ 50,903	\$ 29,063	

**6 Financial instruments**

VIBE is exposed to various risks through its financial instruments. The following analysis provides a measure of VIBE'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
GICs				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. VIBE is exposed to credit risk through amounts receivable. While amounts receivable are generally unsecured, VIBE has management procedures in place to mitigate the risk of loss with respect to amounts receivable.

**Liquidity risk**

Liquidity risk is the risk that VIBE will not be able to meet a demand for cash or fund its obligations as they come due. VIBE 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.

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Currency risk

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

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 VIBE 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 VIBE'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 VIBE 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 VIBE's operations.

It is the opinion of management that VIBE is not exposed to significant risks arising from these financial instruments, and that there has been no significant change in risk exposure from the prior year.

**7 Deferred revenue**

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

	<b>2017</b>	<b>2016</b>
Deferred revenue at the beginning of the year	\$ 365,231	\$ 328,035
Less: amounts recognized as revenue in the year	(365,231)	(328,035)
Add: amounts received relating to future year expenditures	351,418	365,231
Deferred revenue at the end of the year	<u>\$ 351,418</u>	<u>\$ 365,231</u>

**8 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. At year end, all capital contributions received have been expended, and the remaining balance of deferred capital contributions equals the unamortized balance of those assets acquired with these funds. The changes in the deferred capital contributions balance are as follows:

	<b>2017</b>	<b>2016</b>
Deferred capital contributions, beginning of the year	\$ 19,063	\$ 28,782
Add: amounts received in the year	-	-
Less: amounts recognized as revenue in the year	(18,854)	(9,719)
Deferred capital contributions, end of the year	<u>\$ 209</u>	<u>\$ 19,063</u>

## **VIBE Arts**

### **Notes to Financial Statements**

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#### **9 Deferred program expansion**

During a prior year VIBE received a donation of \$400,000 restricted by the donor to the costs of expanded programs. During the year \$50,000 of these funds were applied to program expansion. Management anticipates that \$200,000 of these funds will be expended during fiscal 2017, and the remaining balance thereafter.

#### **10 Fundraising events**

During the year VIBE held fundraising events, including a major event called “ArtsEffect 2017”. Fundraising revenue includes proceeds of \$103,913 (2016 - \$77,437) from ticket sales and from the auction of donated artworks at ArtsEffect; the direct cost of holding the ArtsEffect event was \$11,963 (2016 - \$15,476). The initial donation of the artworks is not accounted for in these financial statements.

#### **11 Significant contributed services**

During the year VIBE received a contribution of advertising services, primarily billboard, elevator and TTC public announcement space, with an estimated value of \$1,100,000 (2016 - \$139,875). The current year’s project centered on the “150+ Reasons We Love Canada” featuring murals created by youth and displayed on public transportation vehicles and subway platforms, as well as nationally, in digital form in airports and 306 large-format digital billboards across Canada. In accordance with VIBE’s accounting policies these amounts are not recognized in these financial statements.

#### **12 VIBE Arts Endowment Fund**

VIBE 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, VIBE did not make any contributions to the AEF (2016 - nil) and there were no matching funds received from the AEF during the year (2016 - nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2017 was \$316,067 (2016 - \$321,648). 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 \$14,357 (2016 - \$15,138) which has been included in General fund revenues.

#### **13 Arts for Social Justice Collaboration with Canadian Civil Liberties Education Trust**

During a prior year VIBE received a commitment for \$225,000 payable over three years for a collaborative project with the Canadian Civil Liberties Education Trust. Under the terms of the funding, VIBE committed to providing \$70,000 of this funding to the CCLET. This project was completed during the year.

#### **14 Toronto Arts Council Microgrants**

During the year VIBE received \$12,000 (2016 - \$12,000) in directed microgrants from the Toronto Arts Council. At yearend undisbursed microgrants totaled \$395 (2016 - \$150).

#### **15 Employee benefits**

During the year, VIBE implemented a benefits plan. Employees working more than twenty four hours per week are enrolled in a plan providing life, health, drug, dental, and emergency medical benefits. Contributions to these plans are made by VIBE only, and totaled \$16,350 for the year (2016 - nil).

#### **16 Lease commitments**

During the year VIBE renewed premises leases for three-year terms expiring on July 31, 2019. Minimum annual lease payments exclusive of additional rents including hydro, and sales taxes to July 31, 2019 are as follows: 2018 - \$55,348; 2019 - \$53,052.

Immediately following year-end VIBE entered into a 66-month lease for a photocopier. Future annual minimum lease payments before sales tax are as follows: 2018 to 2022 - \$2,113; 2023 - \$1,057.

## **VIBE Arts**

### **Notes to Financial Statements**

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#### **17 Capital management**

VIBE'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). VIBE defines its capital as cash and cash equivalents, GICs and fund balances.