



Financial Statements

**VIBE Arts**  
**(formerly Arts for Children and Youth)**

**August 31, 2015**

**[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**  
(formerly Arts for Children and Youth)

I have audited the accompanying financial statements of **VIBE Arts** which comprise the statement of financial position as at August 31, 2015, 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, 2015, 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  
December 3, 2015

# VIBE Arts (formerly Arts for Children and Youth)

Statement of Financial Position

As at August 31, 2015

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	151,446	417,570
GICs (note 4)	858,162	180,927
Amounts receivable	19,059	13,029
Recoverable sales tax	26,677	21,201
Prepaid expense	<u>6,959</u>	<u>5,947</u>
<b>Total current assets</b>	1,062,303	638,674
Tangible capital assets, net of amortization (note 5)	<u>40,713</u>	<u>29,727</u>
	<u><b>1,103,016</b></u>	<u><b>668,401</b></u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued charges	47,298	24,819
Source deductions payable	10,264	-
Microgrants and youth-led initiatives (note 13)	150	4,027
Deferred revenue (note 7)	<u>328,035</u>	<u>357,011</u>
<b>Total current liabilities</b>	385,747	385,857
Deferred capital contributions (note 8)	28,782	38,573
Deferred program expansion (note 9)	400,000	-
Mural maintenance reserve	<u>14,000</u>	<u>14,000</u>
<b>Total liabilities</b>	<u>828,529</u>	<u>438,430</u>
<b>Fund balances</b>		
General	79,380	72,151
Invested in capital assets	40,713	29,727
Outreach	9,394	8,093
Reserve fund - general	<u>145,000</u>	<u>120,000</u>
<b>Total fund balances</b>	<u>274,487</u>	<u>229,971</u>
	<u><b>1,103,016</b></u>	<u><b>668,401</b></u>

Approved on behalf of the Board:



Treasurer



Chair

# VIBE Arts

## (formerly Arts for Children and Youth)

Statement of Operations

For the year ended August 31, 2015

	<b>General</b>		<b>Outreach</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Revenues</b>						
Foundation grants	40,297	8,000	186,791	278,594	227,088	286,594
Ontario Trillium Foundation grants	-	-	116,078	75,426	116,078	75,426
Ontario Arts Council grants	79,500	75,000	-	-	79,500	75,000
Other provincial grants	-	-	9,000	-	9,000	-
Toronto Arts Council grants (note 13)	56,700	37,000	78,300	82,720	135,000	119,720
Municipal government grants	-	-	104,843	65,883	104,843	65,883
Federal government grants	-	-	55,805	41,000	55,805	41,000
Corporate donations	-	517	100,126	69,000	100,126	69,517
Individual donations	39,581	106,082	-	9,698	39,581	115,780
Sponsorships	54,173	65,000	83,610	88,400	137,783	153,400
Fundraising events (note 10)	85,884	68,485	-	2,815	85,884	71,300
Program fees	-	-	27,056	35,678	27,056	35,678
OACF Arts Endowment Fund (note 12)	13,023	12,738	-	-	13,023	12,738
Interest	7,675	2,681	-	-	7,675	2,681
Other	6,352	-	1,680	-	8,032	-
	<u>383,185</u>	<u>375,503</u>	<u>763,289</u>	<u>749,214</u>	<u>1,146,474</u>	<u>1,124,717</u>
<b>Expenditures</b>						
Salaries and benefits	144,641	105,897	332,292	324,274	476,933	430,171
Artist fees	-	-	292,103	282,811	292,103	282,811
Art supplies	-	-	96,140	63,634	96,140	63,634
Collaboration partners	-	-	15,653	-	15,653	-
Accounting and legal	3,698	2,000	2,000	2,000	5,698	4,000
Consulting fees	4,599	-	-	8,388	4,599	8,388
Fundraising (note 10)	62,980	52,964	-	2,516	62,980	55,480
Marketing and communication	26,426	-	-	-	26,426	-
General and administration	28,312	30,779	15,619	14,701	43,931	45,480
Insurance	3,146	3,086	-	-	3,146	3,086
Interest and bank charges	686	680	-	-	686	680
Lunches and snacks	-	-	8,644	7,335	8,644	7,335
Professional development	200	272	2,184	2,968	2,384	3,240
TAC Platform A microgrants	-	-	12,679	8,549	12,679	8,549
Rent	29,648	25,454	9,883	8,485	39,531	33,939
Amortization	634	7,092	9,791	8,236	10,425	15,328
	<u>304,970</u>	<u>228,224</u>	<u>796,988</u>	<u>733,897</u>	<u>1,101,958</u>	<u>962,121</u>
<b>Excess of revenues over expenditures for the year</b>	<u>78,215</u>	<u>147,279</u>	<u>-33,699</u>	<u>15,317</u>	<u>44,516</u>	<u>162,596</u>

# VIBE Arts

## (formerly Arts for Children and Youth)

Statement of changes in fund balances

For the year ended August 31, 2015

	<b>General</b>		<b>Outreach</b>		<b>Reserve fund - general</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fund balances, beginning of year</b>	101,878	74,599	8,093	-7,224	120,000	-	229,971	67,375
Excess of revenues over								
expenditures for the year	78,215	147,279	-33,699	15,317	-	-	44,516	162,596
Interfund transfer (note 16)	-35,000	-	35,000	-	-	-		
Interfund transfer (note 16)	-25,000	-120,000	-	-	25,000	120,000		
<b>Fund balances, end of year</b>	<b>120,093</b>	<b>101,878</b>	<b>9,394</b>	<b>8,093</b>	<b>145,000</b>	<b>120,000</b>	<b>274,487</b>	<b>229,971</b>

### Composition of General fund:

<b>Operating</b>	79,380	72,151
<b>Invested in capital assets</b>	40,713	29,727
	<b>120,093</b>	<b>101,878</b>

# VIBE Arts

## (formerly Arts for Children and Youth)

Statement of Cash Flows

For the year ended August 31, 2015

	2015 \$	2014 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenditures	44,516	162,596
Item not affecting cash: Amortization	10,425	15,328
Changes in non-cash working capital items		
Increase in GICs held	-677,235	-180,927
Increase in amounts receivable	-6,030	-5,535
Increase in recoverable sales tax	-5,476	2,065
Increase in prepaid expense	-1,012	-1,286
Increase in accounts payable and accrued charges	22,478	1,635
Increase in source deductions payable	10,264	-6,267
Decrease in micro-grant and youth-led initiatives funds held	-3,877	-2,477
Decrease in deferred revenue	-28,976	39,910
Decrease in deferred capital contributions	-9,791	-8,236
Increase in deferred program expansion	400,000	-
Increase in mural maintenance reserve	-	1,500
	<u>-244,714</u>	<u>18,306</u>
<b>Investing activities</b>		
Purchase of tangible capital assets	<u>-21,410</u>	<u>-3,851</u>
<b>Net change in cash and cash equivalents during the year</b>	<u>-266,124</u>	<u>14,455</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>417,570</u>	<u>403,115</u>
<b>Cash and cash equivalents - end of year</b>	<u>151,446</u>	<u>417,570</u>

**VIBE Arts**  
**(formerly Arts for Children and Youth)**  
Notes to Financial Statements  
**August 31, 2015**

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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. 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**

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 recognized. 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**  
**(formerly Arts for Children and Youth)**  
Notes to Financial Statements  
**August 31, 2015**

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**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.

**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 5 years

Amortization is calculated on a monthly basis.

**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

## (formerly Arts for Children and Youth)

Notes to Financial Statements

August 31, 2015

### 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 Change in accounting policy

During the year VIBE changed its accounting policy with respect to the potential future costs of maintaining certain public murals in order that the financial statements provide more reliable and relevant information, by carrying such potential future costs as a liability. Previously, these amounts were not provided for. This policy has been applied retroactively, such that a mural maintenance reserve for the comparative year of \$14,000 was provided, and the Outreach fund balance and municipal grant revenue were reduced by \$14,000 and \$1,500 respectively.

### 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 are reported under cash and cash equivalents. Term deposits with maturities exceeding three months at the time of purchase and held at August 31, 2015 have varying terms and bear interest at the following rates.

	Principal \$	Maturity	Interest rate %
GIC	50,791	Sept. 25, 2015	.90
GIC	201,235	Oct. 11, 2015	1.00
GIC	100,928	Oct. 11, 2015	1.00
GIC	100,000	Oct. 15, 2015	1.00
GIC	101,169	Nov. 23, 2015	.75
GIC	101,490	Nov. 24, 2015	.75
GIC	201,735	Dec. 5, 2015	1.00
Accrued interest	814		
	<u>858,162</u>		

### 5 Tangible capital assets

Capital assets consist of the following:

	2015			2014	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 23,704	\$ 11,595	\$ 12,109	\$ -	
Audio/Visual equipment	42,624	26,087	16,537	24,160	
Furniture and equipment	17,367	15,779	1,588	1,751	
Computer hardware	37,753	27,981	9,772	3,008	
Computer software	27,819	27,112	707	808	
	<u>\$ 149,267</u>	<u>\$ 108,554</u>	<u>\$ 40,713</u>	<u>\$ 29,727</u>	

**VIBE Arts**  
**(formerly Arts for Children and Youth)**  
Notes to Financial Statements  
**August 31, 2015**

**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.

**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.

**VIBE Arts**  
**(formerly Arts for Children and Youth)**  
Notes to Financial Statements  
**August 31, 2015**

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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>2015</b>	<b>2014</b>
Deferred revenue, beginning of year	\$ 357,011	\$ 317,101
Less: amounts recognized as revenue in the year	(357,011)	(302,546)
Add: amounts received relating to future year expenditures	328,035	342,456
Deferred revenue, end of year	<u>\$ 328,035</u>	<u>\$ 357,011</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 revenue and expenses. The changes in the deferred capital contributions balance are as follows:

	<b>2015</b>	<b>2014</b>
Deferred capital contributions, beginning of year	\$ 38,573	\$ 46,809
Add: amounts received in the year	-	-
Less: amounts recognized as revenue in the year	(9,791)	(8,236)
Deferred capital contributions, end of year	<u>\$ 28,782</u>	<u>\$ 38,573</u>

**9 Significant event**

During the year VIBE received a donation of \$400,000 restricted by the donor to the costs of expanded programs. Management anticipates that these funds will be expended after the end of the coming fiscal year.

**10 Fundraising events**

During the year VIBE held fundraising events, including a major event called "ArtsEffect 2015". Fundraising revenue includes proceeds of \$85,020 (2014 - \$58,737) from the auction of donated artworks at ArtsEffect; the cost of holding the ArtsEffect event was \$10,974 (2014 - \$8,475). The initial donation of the artworks is not accounted for in these financial statements.

## **VIBE Arts (formerly Arts for Children and Youth)**

### **Notes to Financial Statements**

**August 31, 2015**

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

During the year VIBE received a contribution of advertising services, primarily billboard and TTC public announcement screen space, with an estimated value of \$127,875 (2014 - \$59,675). In accordance with VIBE's accounting policies these amounts are not recognized in these financial statements.

#### **12 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 (2014 - nil) and there were no matching funds received from the AEF during the year (2014 - nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2015 was \$310,882 (2014 - \$301,342). 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 \$13,023 (2014 - \$12,738) which has been included in the General fund revenues.

#### **13 Microgrants and youth-led initiatives**

During the year VIBE received \$12,000 (2014 - \$7,870) in directed microgrants from the Toronto Arts Council. At yearend undisbursed microgrants totaled \$150 (2014 - \$150).

VIBE 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 year end, VIBE did not hold Identify N Impact funds (2014 - \$3,877).

#### **14 Lease commitments**

In a previous year VIBE entered into a premises lease commitment for a three-year term expiring on July 31, 2016. During the current year VIBE entered into a lease for adjacent premises for a term commencing September 1, 2015 and also expiring on July 31, 2016. The remaining minimum annual lease payments exclusive of additional rents including hydro, and sales taxes to July 31, 2016 are \$48,673.

During a prior year VIBE entered into a 66-month lease for a photocopier to June 20, 2018. Future minimum lease payments before sales tax are as follows: 2016 and 2017 - \$1,660 annually; 2018 - \$1,384.

#### **15 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.

#### **16 Interfund transfers**

The directors have approved the transfer of \$35,000 (2014 - nil) from the General fund to the Outreach fund, to support program delivery, and a further transfer of \$25,000 (2014 - \$120,000) from the General fund to the general Reserve fund, to provide funds for operations in the event of an interruption in funding or other revenues.

#### **17 Change in corporate name**

Subsequent to the yearend, by supplementary letters patent issued October 15, 2015 the organization changed its name from Arts for Children and Youth to VIBE Arts.