



Financial Statements

VIBE Arts
(formerly Arts for Children and Youth)

August 31, 2016

www.vibearts.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, 2016, 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, 2016, 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.



Chartered Professional Accountant, Licensed Public Accountant

Toronto, Ontario
December 8, 2016

VIBE Arts (formerly Arts for Children and Youth)

Statement of Financial Position
As at August 31, 2016

	2016 \$	2015 \$
Assets		
Current		
Cash and cash equivalents	292,800	151,446
GICs due within one year (note 3)	609,363	858,162
Amounts receivable	23,776	19,059
Recoverable sales tax	24,006	26,677
Prepaid expense	8,298	6,959
Total current assets	958,243	1,062,303
GICs due in more than one year (note 3)	125,146	-
Tangible capital assets, net of amortization (note 4)	29,062	40,713
Total assets	<u>1,112,451</u>	<u>1,103,016</u>
Liabilities		
Current		
Accounts payable and accrued charges	42,292	47,298
Source deductions payable	-	10,264
Microgrants and youth-led initiatives (note 13)	150	150
Deferred revenue (note 6)	365,231	328,035
Deferred program expansion (note 8)	200,000	-
Total current liabilities	607,673	385,747
Deferred capital contributions (note 7)	19,063	28,782
Deferred program expansion (note 8)	200,000	400,000
Mural maintenance reserve	11,500	14,000
Total liabilities	<u>838,236</u>	<u>828,529</u>
Fund balances		
General	90,382	79,380
Invested in capital assets	29,062	40,713
Outreach	9,771	9,394
Reserve fund - general	145,000	145,000
Total fund balances	<u>274,215</u>	<u>274,487</u>
	<u>1,112,451</u>	<u>1,103,016</u>

Approved on behalf of the Board:



Treasurer



Chair

VIBE Arts

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Statement of Operations

For the year ended August 31, 2016

	General		Outreach		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenues						
Foundation grants	9,500	40,297	254,300	186,791	263,800	227,088
Ontario Trillium Foundation grants	-	-	75,546	116,078	75,546	116,078
Ontario Arts Council grants	78,731	79,500	-	-	78,731	79,500
Other provincial grants	-	-	1,000	9,000	1,000	9,000
Toronto Arts Council grants (note 13)	48,000	56,700	87,000	78,300	135,000	135,000
Municipal government grants	-	-	103,045	104,843	103,045	104,843
Federal government grants	1,367	-	25,700	55,805	27,067	55,805
Corporate donations	16,750	-	73,804	100,126	90,554	100,126
Individual donations	29,046	39,581	-	-	29,046	39,581
Sponsorships	55,500	54,173	163,092	83,610	218,592	137,783
Fundraising events (note 9)	77,437	85,884	-	-	77,437	85,884
Program fees	-	-	27,922	27,056	27,922	27,056
OACF Arts Endowment Fund (note 11)	15,138	13,023	-	-	15,138	13,023
Interest	5,381	7,675	-	-	5,381	7,675
Other	13,251	6,352	8,964	1,680	22,215	8,032
	350,101	383,185	820,373	763,289	1,170,474	1,146,474
Expenditures						
Salaries and benefits	160,439	144,641	392,704	332,292	553,143	476,933
Artist fees	-	-	247,750	292,103	247,750	292,103
Art supplies	-	-	87,796	96,140	87,796	96,140
Collaboration partners (note 12)	-	-	24,000	15,653	24,000	15,653
Accounting and legal	5,435	3,698	2,500	2,000	7,935	5,698
Consulting fees	2,531	4,599	-	-	2,531	4,599
Fundraising (note 9)	66,358	62,980	1,646	-	68,004	62,980
Marketing and communication	25,935	26,426	-	-	25,935	26,426
General and administration	30,440	28,312	5,674	15,619	36,114	43,931
Insurance	3,177	3,146	-	-	3,177	3,146
Interest and bank charges	1,155	686	-	-	1,155	686
Lunches and snacks	-	-	8,219	8,644	8,219	8,644
Professional development	2,987	200	1,962	2,184	4,949	2,384
TAC Platform A and microgrants	-	-	19,094	12,679	19,094	12,679
Rent	45,082	29,648	15,028	9,883	60,110	39,531
Amortization	7,211	634	13,623	9,791	20,834	10,425
	350,750	304,970	819,996	796,988	1,170,746	1,101,958
Excess of expenditures over revenues for the year	(649)	78,215	377	(33,699)	(272)	44,516

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Statement of changes in fund balances

For the year ended August 31, 2016

	General		Outreach		Reserve fund - general		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	120,093	101,878	9,394	8,093	145,000	120,000	274,487	229,971
Excess of revenues over								
expenditures for the year	(649)	78,215	377	(33,699)	-	-	(272)	44,516
Interfund transfer	-	(35,000)	-	35,000	-	-		
Interfund transfer	-	(25,000)	-	-	-	25,000		
Fund balances, end of year	119,444	120,093	9,771	9,394	145,000	145,000	274,215	274,487

Composition of General fund:

Operating	90,382	79,380
Invested in capital assets	29,062	40,713
	119,444	120,093

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Statement of Cash Flows

For the year ended August 31, 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Cash received from grants, contributions, sponsorships and earned revenues	1,175,386	1,480,979
Cash paid to artists, employees, suppliers and for government remittances	(1,169,202)	(1,098,355)
Distribution from Arts Endowment Fund	15,138	13,023
Interest received	5,562	7,147
	<u>26,884</u>	<u>402,794</u>
Cash flows from investing activities		
Purchase of tangible capital property	(9,183)	(21,410)
Redemption of GICs	123,653	(647,508)
	<u>114,470</u>	<u>(668,918)</u>
Net change in cash during the year	141,354	(266,124)
Cash at the beginning of the year	<u>151,446</u>	<u>417,570</u>
Cash at the end of the year	<u>292,800</u>	<u>151,446</u>

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Notes to Financial Statements
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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 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.

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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 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.

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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. Actual results could differ from those estimates.

3 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 due within 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	102,091	Sept. 21, 2016	.70
GIC	202,934	Oct. 2, 2016	.70
GIC	202,996	Nov. 18, 2016	.70
GIC	100,856	Nov. 20, 2016	.70
Accrued interest	486		
	<u>609,363</u>		

At the year end VIBE held a term deposit of \$125,000 bearing interest at a rate of .95% with a maturity of July 18, 2019. Accrued interest of \$146 has been recognized in these financial statements.

4 Tangible capital assets

Capital assets consist of the following:

	2016			2015	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 32,887	\$ 15,617	\$ 17,270	\$ 12,109	
Audio/Visual equipment	42,624	34,611	8,013	16,537	
Furniture and equipment	17,367	16,433	934	1,588	
Computer hardware	37,753	34,907	2,846	9,772	
Computer software	27,819	27,819	-	707	
	<u>\$ 158,450</u>	<u>\$ 129,387</u>	<u>\$ 29,063</u>	<u>\$ 40,713</u>	

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5 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.

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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.

6 Deferred revenue

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

	2016	2015
Deferred revenue at the beginning of the year	\$ 328,035	\$ 357,011
Less: amounts recognized as revenue in the year	(328,035)	(357,011)
Add: amounts received relating to future year expenditures	365,231	328,035
Deferred revenue at the end of the year	<u>\$ 365,231</u>	<u>\$ 328,035</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. At year end, all capital contributions received have been expended, and the remaining balance of deferred capital contributions equals the unamortized balance of assets acquired with these funds. The changes in the deferred capital contributions balance are as follows:

	2016	2015
Deferred capital contributions, beginning of the year	\$ 28,782	\$ 38,573
Add: amounts received in the year	-	-
Less: amounts recognized as revenue in the year	(9,719)	(9,791)
Deferred capital contributions, end of the year	<u>\$ 19,063</u>	<u>\$ 28,782</u>

8 Deferred program expansion

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

9 Fundraising events

During the year VIBE held fundraising events, including a major event called "ArtsEffect 2016". Fundraising revenue includes proceeds of \$77,437 (2015 - \$85,020) from ticket sales and from the

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auction of donated artworks at ArtsEffect; the cost of holding the ArtsEffect event was \$15,476 (2015 - \$10,974). The initial donation of the artworks is not accounted for in these financial statements.

10 Significant contributed services

During the year VIBE received a contribution of advertising services, primarily billboard, elevator and TTC public announcement screen space, with an estimated value of \$139,875 (2014 - \$59,675). In accordance with VIBE's accounting policies these amounts are not recognized in these financial statements.

11 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 (2015 - nil) and there were no matching funds received from the AEF during the year (2015 - nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2016 was \$321,648 (2014 - \$310,882). 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 \$15,138 (2014 - \$13,023) which has been included in General fund revenues.

12 Arts for Social Justice Collaboration with Canadian Civil Liberties Education Trust

During the 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 is committed to providing \$70,000 of this funding to the CCLET.

13 Toronto Arts Council Microgrants

During the year VIBE received \$12,000 (2015 - \$12,000) in directed microgrants from the Toronto Arts Council. At yearend undisbursed microgrants totaled \$150 (2015 - \$150).

14 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: 2017 - \$52,713; 2018 - \$55,348; 2019 - \$53,052.

During a prior year VIBE entered into a 66-month lease for a photocopier to June 20, 2018. Future annual minimum lease payments before sales tax are as follows: 2017 - \$1,660; 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 Change in corporate name

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