

VIBE ARTS
YEAR ENDED AUGUST 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the directors of

VIBE ARTS

Opinion

We have audited the financial statements of VIBE Arts, which comprise of the statement of financial position as at August 31, 2019 and the statements of operations, changes in net assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of VIBE Arts as at August 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of VIBE Arts for the year ended August 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 22, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (cont'd)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
January 23, 2020

VIBE ARTS

STATEMENT OF OPERATIONS

For the year ended August 31,	General	Outreach	2019	General	Outreach	2018
	\$	\$	Total	\$	\$	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Foundation grants	2,000	246,879	248,879	13,750	376,338	390,088
Ontario Trillium Foundation grants	-	105,765	105,765	-	102,750	102,750
Ontario Arts Council grants	83,524	-	83,524	81,487	-	81,487
Other provincial grants	-	6,427	6,427	-	14,852	14,852
Toronto Arts Council grants	68,000	26,000	94,000	62,000	30,223	92,223
Municipal government grants	-	77,282	77,282	-	71,445	71,445
Federal government grants	-	30,000	30,000	-	33,100	33,100
Corporate donations	1,000	30,765	31,765	7,726	20,000	27,726
Individual donations	200	85,072	85,272	15,851	116,742	132,593
Sponsorships	50,000	67,993	117,993	50,000	73,456	123,456
Fundraising events (Note 6)	96,550	13,475	110,025	115,430	-	115,430
Program fees	-	-	-	-	10,537	10,537
OACF Arts Endowment Fund (Note 8)	14,655	-	14,655	14,725	-	14,725
Interest and other income	8,337	13,386	21,723	8,476	1,904	10,380
	324,266	703,044	1,027,310	369,445	851,347	1,220,792
Expenses						
Salaries and benefits	200,450	384,735	585,185	197,708	373,896	571,604
Artist fees	8,330	192,886	201,216	-	309,875	309,875
Art supplies	147	92,798	92,945	-	74,866	74,866
Professional fees	5,801	5,801	11,602	2,860	2,859	5,719
Consulting fees	2,230	1,927	4,157	7,447	12,344	19,791
Fundraising	16,663	2,678	19,341	70,263	7,225	77,488
Marketing and communication	4,642	3,170	7,812	2,105	3,603	5,708
General and administration	19,953	2,530	22,483	27,516	2,307	29,823
Insurance	3,456	-	3,456	4,335	-	4,335
Lunches and snacks	615	3,412	4,027	-	5,501	5,501
Professional development	902	1,889	2,791	290	943	1,233
Rent	46,599	23,696	70,295	52,113	17,371	69,484
Amortization	29,088	5,862	34,950	16,519	10,189	26,708
	338,876	721,384	1,060,260	381,156	820,979	1,202,135
Excess (deficiency) of revenues over expenses	(14,610)	(18,340)	(32,950)	(11,711)	30,368	18,657

See accompanying notes.



VIBE ARTS

STATEMENT OF CHANGES IN NET ASSETS

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

For the year ended August 31, 2018	General \$	Outreach \$	Reserve fund - general \$	Total \$
Beginning of year	105,761	44,051	145,000	294,812
Excess (deficiency) of revenues over expenses for the year	(11,711)	30,368	-	18,657
End of year	94,050	74,419	145,000	313,469

See accompanying notes.



VIBE ARTS
STATEMENT OF CASH FLOW

For the year ended August 31,	2019 \$	2018 \$
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(32,950)	18,657
Item not involving cash Amortization of capital assets	34,950	26,708
Working capital from operations	2,000	45,365
Net change in non-cash working capital balances related to operations	34,643	(254,691)
Cash from (required by) operations	36,643	(209,326)
Investing activities		
Acquisition of capital asset	-	(26,910)
Redemption of GICs	102,803	351,235
	102,803	324,325
Change in cash and cash equivalents during the year	139,446	114,999
Cash and cash equivalents		
Beginning of year	385,579	270,580
End of year	525,025	385,579

See accompanying notes.

VIBE ARTS

STATEMENT OF FINANCIAL POSITION

As at August 31,	2019 \$	2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	525,025	385,579
Short term investments (Note 2)	202,687	102,032
Accounts receivable	20,638	27,479
HST receivable	16,552	21,278
Prepaid expenses	25,906	13,912
	790,808	550,280
Long term investments (Note 2)	-	203,458
Capital assets (Note 3)	16,156	51,106
	806,964	804,844
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	41,935	31,139
Deferred revenue (Note 4)	294,760	199,236
Deferred program expansion (Note 5)	75,000	100,000
	411,695	330,375
Deferred program expansion (Note 5)	100,000	150,000
Mural maintenance reserve	14,750	11,000
	526,445	491,375
NET ASSETS		
General	79,440	94,050
Outreach	56,079	74,419
Reserve fund - general	145,000	145,000
	280,519	313,469
	806,964	804,844

Other information (Note 10)

See accompanying notes.

Approved on behalf of the Board:

Director

Director



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

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

1. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions.

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

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

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

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

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

Interest and other revenue are recognized on an accrual basis.

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

The financial statements include the following funds:

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

(c) Contributed services

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

(d) Cash and cash equivalents

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

(e) Use of estimates

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

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

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

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

Furniture and equipment	-	5 years
Audio/visual equipment	-	5 years
Leasehold improvements	-	5 years
Computer hardware	-	3 years
Computer software	-	3 years
Motor vehicle	-	3 years

(g) Financial instruments

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

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

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

2. Short-term investments

The guaranteed investment certificates earn interest of 1.80% to 2.54% per annum (2018 - 1.46% to 2.54% per annum) with the guaranteed investment certificates maturing on April 13, 2020 (2018 - April 10, 2019 to April 13, 2020).

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

3. Capital assets

	Cost \$	Accumulated amortization \$	Net Book Value	
			2019 \$	2018 \$
Leasehold improvements	34,016	34,016	-	4,906
Audio/Visual equipment	58,162	56,984	1,178	12,810
Furniture and equipment	25,528	25,528	-	3,936
Computer hardware	54,402	54,402	-	8,424
Computer software	28,389	28,066	323	513
Motor vehicle	29,310	14,655	14,655	20,517
	229,807	213,651	16,156	51,106

4. Deferred revenue

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

	2019 \$	2018 \$
Balance - beginning of year	199,236	351,418
Amounts received	755,022	174,236
Recognized as revenue	(675,724)	(326,418)
Receivable, end of year	16,226	-
	294,760	199,236

5. Deferred program expansion

In October 2014, the organization received a donation of \$400,000 restricted by the donor to be used towards costs of expanded programs. During the year \$75,000 (2018 - \$100,000) of these funds were applied to program expansion. Management anticipates that \$75,000 of these funds will be expended during fiscal 2020 and the remaining balance thereafter.

6. Fundraising events

During the year the organization held fundraising events including a major event called "ArtsEffect 2019". Fundraising revenues includes proceeds of \$96,550 (2018 - \$107,430) from ticket sales and from the auction of donated artworks at ArtsEffect; the direct cost of holding the ArtsEffect event was \$15,088 (2018 - \$14,998). The initial donation of the artworks is not accounted for in these financial statements.

7. Significant contributed services

During the year the organization received a contribution of in-kind advertising spaces with a estimated value of \$100,000 (2018 - \$100,000). These spaces are used to exhibit project work and for the general promotion of VIBE. In accordance with VIBE's accounting policies these amounts are not recognized in the financial statements.

8. Endowment fund distribution

VIBE has established the VIBE Arts Endowment Fund under the terms of the Arts Endowment Fund ("AEF") Program. The AEF is a program of the Government of Ontario through the Ministry of Culture, administered by the Ontario Arts Council Foundation. During the year, VIBE did not make any contributions to the AEF (2018 - nil) and there were no matching funds received from the AEF during the year (2018 - nil). The market value of the Arts for Children of Toronto Arts Endowment Fund as at August 31, 2019 was \$327,372 (2018 - \$334,005). 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 \$14,655 (2018 - \$14,725) which has been included in General fund revenues. The assets of the endowment fund are not reflected in these financial statements.

9. Third-party programs administered by VIBE

VIBE administers the distribution of certain grants for unrelated third parties. During the year VIBE received \$95,000 (2018 - \$100,000) in funding from the Ontario Trillium Foundation of which \$85,000 (2018 - \$90,000) was disbursed to RISE Edutainment, a community-based initiative to engage youth in their communities; the remainder was retained by VIBE to fund the costs of administering the grant. The net amount is reflected in the revenues of VIBE.

10. Other Information

(a) *Lease commitments*

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

	<u>\$</u>
2020	81,000
2020	83,000
2021	<u>77,850</u>
	<u>241,850</u>

(b) *Financial instruments*

The organization is exposed to the following significant financial risks:

(i) *Liquidity risk*

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

(ii) *Credit risk*

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

(iii) *Interest risk*

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

10. Other information (cont'd)

(c) Comparative figures

The fiscal 2018 figures have been reclassified where necessary to conform to the presentation adopted in the current year.