

INNER CITY ANGELS
FINANCIAL STATEMENTS
JUNE 30, 2015

INNER CITY ANGELS

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INDEPENDENT AUDITOR'S REPORT

To the Members of **Inner City Angels**

Report on the Financial Statements

I have audited the accompanying financial statements of **Inner City Angels**, which comprise the statement of financial position as at June 30, 2015 and the statements of operations, changes in net assets 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. Those 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 from 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 risk 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 and fair presentation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and 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 is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and surplus.

Qualified Opinion

In my opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Inner City Angels** as at June 30, 2015 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Philip Dyke Professional Corporation

Philip Dyke Professional Corporation, authorized to practice public
accounting by the Chartered Professional Accountants of Ontario

Toronto, Ontario
October 20, 2015

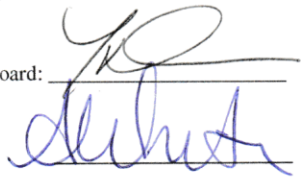
INNER CITY ANGELS
STATEMENT OF FINANCIAL POSITION

As at June 30

	<u>2015</u>	<u>2014</u>
	\$	\$
ASSETS		
Current		
Cash and short-term deposits	16,431	65,685
Accounts receivable	16,452	9,928
Prepaid expenses	4,403	6,854
	<u>37,286</u>	<u>82,467</u>
Long term		
Property and equipment (Note 3)	4,122	6,388
Endowment fund (Note 5)	152,260	140,082
	<u>156,382</u>	<u>146,470</u>
	<u>193,668</u>	<u>228,937</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,133	3,390
Deferred revenue	-	50,000
	<u>4,133</u>	<u>53,390</u>
NET ASSETS		
Investment in capital assets	4,122	6,388
Endowment (Note 5)	152,260	140,082
Unrestricted	33,153	29,077
	<u>189,535</u>	<u>175,547</u>
	<u>193,668</u>	<u>228,937</u>

See accompanying notes

On behalf of the Board:



T. Malcolm
 A. White

INNER CITY ANGELS
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30

	<u>2015</u>				<u>2014</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>Investment in</u>	<u>Endowment</u>	<u>Unrestricted</u>	<u>Total</u>	
	<u>Capital Assets</u>				
Balance, beginning of year	6,388	140,082	29,077	175,547	164,452
Excess of revenue over expenses	(2,266)	-	4,076	1,810	765
Invested in capital assets		-	-	-	-
Share of investment income, net of expenses	-	18,447	-	18,447	16,463
Payout	-	(6,269)	-	(6,269)	(6,133)
Balance, end of year	4,122	152,260	33,153	189,535	175,547

See accompanying notes

INNER CITY ANGELS
STATEMENT OF OPERATIONS
Year ended June 30

	<u>2015</u>	<u>2014</u>
	\$	\$
REVENUES		
Government operating grants (Note 4)	111,500	111,500
Government project grants (Note 4)	13,000	3,000
Government project grants from other charities	-	-
	<u>124,500</u>	<u>114,500</u>
Art education programs	166,278	146,485
Donations	78,796	71,940
Fundraising	-	1,288
Interest income	6,778	6,886
	<u>376,352</u>	<u>341,099</u>
Subsidies - inner city schools	(92,936)	(78,439)
	<u>283,416</u>	<u>262,660</u>
EXPENSES		
Program		
Artist fees	140,836	133,164
Program salaries and benefits	43,170	43,185
Promotion and materials	14,680	9,951
	<u>198,686</u>	<u>186,300</u>
Operating		
Administration salaries and benefits	54,481	50,719
Administration	17,373	14,569
Amortization	2,266	1,469
Fundraising	-	218
Premises and equipment rental and maintenance	8,800	8,620
	<u>82,920</u>	<u>75,595</u>
	<u>281,606</u>	<u>261,895</u>
Excess of revenues over expenses	<u>1,810</u>	<u>765</u>

See accompanying notes

INNER CITY ANGELS
STATEMENT OF CASH FLOWS

Year ended June 30

	<u>2015</u>	<u>2014</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	1,810	765
Item not affecting cash		
Amortization	2,266	1,469
Changes in non-cash working capital items		
Accounts receivable	(6,524)	2,279
Prepaid expenses	2,451	2,854
Accounts payable and accrued liabilities	743	226
Taxes withheld	-	(5,396)
Deferred revenue	(50,000)	47,240
	<u>(49,254)</u>	<u>49,437</u>
INVESTING ACTIVITY		
Purchase of property and equipment	-	(4,704)
Change in cash and short-term deposits	(49,254)	44,733
Cash and short-term deposits, beginning of year	65,685	20,952
Cash and short-term deposits, end of year	16,431	65,685

See accompanying notes

INNER CITY ANGELS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. NATURE OF OPERATIONS

Inner City Angels (“The Angels”) was incorporated in the Province of Ontario as a not-for-profit corporation without share capital, is a registered charity and is exempt from income taxes under the Income Tax Act. Inner City Angels is governed by a Board of Directors and managed by a professional arts management staff.

(a) Inner City Angels vision and mandate

Inner City Angels is an award winning arts education charity engaging children in innovative arts experiences that value and celebrate our differences and how we can impact the world. We are inspired by the vision that it is our job as a society to nurture and support the creative minds of children in order to allow their ideas and imaginations to grow for a prosperous future. Through the collaboration of professional artists including musicians, dancers, painters, sculptors, filmmakers, storytellers, designers and arts educators, we explore big ideas and rich topics in the classroom reaching thousands of children each year. We are committed to an inclusive and balanced approach to arts education that considers the individual child, the world around them, and the art discipline integrated with other learning. Our work takes place throughout the City of Toronto and environs with a focus on neighbourhood improvement area schools.

(b) Art Education Programs

Through interdisciplinary arts education, students explore curriculum pathways including STEAM, social justice including economic and environmental justice, globalization and diversity including eco-diversity, and personal well-being. ICA provides subsidies on a sliding scale in an effort to enhance accessibility.

2. SIGNIFICANT ACCOUNTING POLICIES

Inner City Angels follows Canadian accounting standards for not-for-profit organizations.

(a) Recognition of contributions and other revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured. Endowment contributions from the Ontario Arts Endowment Fund (see note 5) are recognized as direct increases in net assets in the year. Revenue from art education programs is recognized when the contract is completed.

(b) Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over three to five years for all assets, their estimated useful lives.

INNER CITY ANGELS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Contributed goods and services

The value of any contributed goods and services provided by volunteers is not recognized in the financial statements given the difficulty in determining the fair value of such goods and services (see also Note 9).

(d) Use of estimates

The preparation of these financial statements, in conformity with Canadian accounting standards for not-for-profit organization, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Financial instruments

Measurement of financial instruments

Inner City Angels initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at amortized cost include accounts payables and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenues over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

3. PROPERTY AND EQUIPMENT

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	11,915	9,129	2,786	4,885
Office equipment	3,965	2,629	1,336	1,503
	15,880	11,758	4,122	6,388

**INNER CITY ANGELS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

4. GRANTS

	<u>2015</u>	<u>2014</u>
Operating		
Ontario Arts Council	\$ 75,000	\$ 75,000
Toronto Arts Council	36,500	36,500
	<hr/>	<hr/>
	\$ 111,500	\$ 111,500
Project		
Heritage Canada	\$ 3,000	\$ 3,000
Toronto Arts Council	10,000	-
	<hr/>	<hr/>
	\$ 13,000	\$ 3,000

5. THE INNER CITY ANGELS ARTS ENDOWMENT FUND

In 1999, Inner City Angels began a participatory relationship with the Arts Endowment Fund program administered by the Ontario Arts Foundation ("OAF"). The funds are held in trust with investment income earned annually, either remaining in the fund to build it up or paid to the participating organization to be used for general operating purposes. The funds are held in perpetuity, such that they will never be returned to the participation arts organization, i.e., they will not be available for general use. Should any organization with funds administered by the OAF cease to exist, the OAF will retain all the funds and will have the responsibility of using these within the spirit of the endowment agreement between themselves and the organization, most likely transferring to another similar organization.

	Inner City Angels	Ontario Arts Endowment Fund	Total
Balance, beginning of year	\$ 42,080	\$ 98,002	\$ 140,082
Share of investment income, net of expenses	-	18,447	18,447
Payout	-	(6,269)	(6,269)
	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 42,080	\$ 110,180	\$ 152,260

6. ECONOMIC DEPENDENCE

The organization is economically dependent on continuing support in the way of grants from government agencies.

**INNER CITY ANGELS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

7. BEATRICE MINDEN ARTS FUND

The Beatrice Minden Arts Fund is a \$ 10,000 financial investment made in 2002 to The Ontario Arts Foundation Endowment on behalf of Inner City Angels. The purpose of the fund is to provide ongoing arts education programs at Clinton Public School in Toronto.

8. KATHLEEN MCCUTCHEON ARTS FUND

The Kathleen McCutcheon Arts Fund is a \$ 10,000 financial investment made in 1999 to The Ontario Arts Foundation Endowment on behalf of Inner City Angels. The purpose of the fund is to provide ongoing arts education programs in inner city schools.

9. IN KIND CONTRIBUTION OF GOODS

Inner City Angels received free theatre, dance and music tickets from Toronto's arts community valued at \$2,500. These were then donated to inner city and priority neighbourhood schools for children to attend these performances at no cost.

10. FINANCIAL INSTRUMENTS

Fair value

The carrying value of the entity's cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short term nature of these financial instruments.

Credit risk

Credit risk arises from the possibility that certain parties will be unable to discharge their obligations. Inner City Angels routinely assesses the financial strength of its customers and as a consequence believes that its accounts receivable credit risk exposure is limited.

11. COMMITMENTS

Inner City Angels is committed under a lease for its premises which expires on December 31, 2018. The minimum annual rental payments for the next four years are as follows:

2016	\$ 6,915
2017	7,157
2018	7,408
2019	<u>7,667</u>
	\$ <u>29,147</u>