



Art Starts Neighbourhood Cultural Centre

Financial Statements
December 31, 2015

www.artstarts.net

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Art Starts Neighbourhood Cultural Centre

I have audited the accompanying financial statements of **Art Starts Neighbourhood Cultural Centre** which comprise the statement of financial position as at December 31, 2015, and the statements of operations and change in fund balance 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 **Art Starts Neighbourhood Cultural Centre** as at December 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

May 3, 2016
Toronto, Ontario

Art Starts Neighbourhood Cultural Centre

Statement of Financial Position

As at December 31, 2015

	2015	2014
	\$	\$
Assets		
Current		
Cash and cash equivalents	190,218	213,084
Investments (note 3)	315,728	146,010
Accounts and grants receivable	95,572	87,934
Recoverable sales tax	6,857	5,108
Prepaid expense	<u>5,030</u>	<u>5,852</u>
Total current assets	613,405	457,988
Tangible capital assets, net (note 7)	<u>-</u>	<u>1,054</u>
Total assets	<u>613,405</u>	<u>459,042</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	11,523	12,396
Government remittances payable	11,557	7,561
Deferred revenue - government grants (note 8)	273,219	233,857
Deferred revenue - foundation and public support (note 8)	68,955	43,531
Deferred revenue - special projects (note 8)	<u>500</u>	<u>24,442</u>
Total current liabilities and Total liabilities	365,754	321,787
Fund Balance		
General Fund	<u>247,651</u>	<u>137,255</u>
	<u>613,405</u>	<u>459,042</u>

Approved on behalf of the Board:



Chair, Board of Directors



Treasurer, Board of Directors

Art Starts Neighbourhood Cultural Centre

Statement of Operations and Change in Fund Balance

For the year ended December 31, 2015

	2015	2014
	\$	\$
Revenues		
Government grants (note 8)	404,955	386,536
Foundation and public support grants (note 8)	181,963	139,442
Special projects (note 8)	114,842	129,390
Corporate donations	11,719	9,950
Individual donations	8,502	6,573
Fundraising and special events	15,149	10,738
Earned revenue	12,576	15,997
Lottery income	29,795	24,129
Interest income	383	329
Investment income	11,457	8,815
	<u>791,341</u>	<u>731,899</u>
Expenditures		
Programs - human resources	292,472	270,409
Programs - supplies	41,655	54,847
Wages and benefits	205,239	171,891
Special projects	98,333	129,390
Accounting, bookkeeping and consulting fees	11,736	11,071
Amortization	1,053	2,832
Bank service and credit card charges	524	1,355
Bingo licences and fees	-	3,127
Fundraising	2,921	5,704
Insurance	7,510	6,500
Office and general	9,254	6,802
Publicity and promotion	2,399	2,490
Rent and utilities	1,117	709
Staff training	1,217	1,386
Telephone, internet and website	3,017	3,068
Unrealized loss on investments	2,498	-
	<u>680,945</u>	<u>671,581</u>
Surplus of revenues over		
 expenditures for the year	110,396	60,318
General Fund balance at the beginning of the year	<u>137,255</u>	<u>76,937</u>
General Fund balance at the end of the year	<u>247,651</u>	<u>137,255</u>

Art Starts Neighbourhood Cultural Centre

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	\$	\$
Cash flow from operating activities		
Cash received from donors, funders, events and earned income	812,707	771,506
Cash paid to suppliers, employees and for government remittances	<u>(677,695)</u>	<u>(663,679)</u>
	135,012	107,827
Cash flow used in investing activities		
Interest income	383	329
Investment income	11,457	8,815
Increase in investments (note 3)	<u>(169,718)</u>	<u>67,184</u>
	<u>(157,878)</u>	<u>76,328</u>
Net change in cash during the year	(22,866)	184,155
Cash and cash equivalents at the beginning of the year	<u>213,084</u>	<u>28,929</u>
Cash and cash equivalents at the end of the year	<u>190,218</u>	<u>213,084</u>

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

1 Organization

Art Starts Neighbourhood Cultural Centre (“Art Starts”) was incorporated in 1992 under the laws of Ontario.

Art Starts inspires and cultivates social change by bringing professional artists and Toronto residents together to create community-building art projects in all artistic disciplines. Art Starts provides responsive and relevant creative opportunities to those living in underserved and stressed communities. Programs celebrate communities, foster collaboration and respond to local needs.

The organization is a registered charity exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada) 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 (“ASNPO”). The significant accounting policies followed in the preparation of these financial statements are outlined below.

Revenue recognition

Art Starts follows the deferral method of accounting for contributions and grants.

Contributions, including grants and donations, that are intended for particular programs are recognized as revenue when the related expenditure is incurred; funds and grants received where the program has not yet been delivered, are deferred until the program takes place. Revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably determined and collection is reasonably assured. Interest and investment income are accounted for on an accrual basis and recognized when earned.

Tangible capital property

Capital assets are recorded at cost and are amortized over the assets estimated useful life as follows. In the year of acquisition amortization is charged at half the applicable rate.

- Computer equipment: 4 years on a straight-line basis
- Furniture and fixtures: 4 years on a straight-line basis
- Music studio: 4 years on a straight-line basis

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

The organization initially measures its financial assets and liabilities at fair value, and subsequently measures all its financial assets and financial liabilities at amortized cost, except for its cash and investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include amounts and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

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

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

Contributed materials and services

Members of Art Starts' Board of Directors and other individuals volunteer their time to the ongoing programs of the organization. Because of the difficulty of determining fair value, contributed services are not recognized in the financial statements. Contributed materials are recognized in the financial statements where a fair value can be reasonably determined.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in financial statements. Actual results could differ from those estimates.

Significant areas requiring management judgment include those relating to the recording of accruals and deferrals of revenues including grants. These estimates are reviewed on an ongoing basis and where adjustments are required, they are reported in operations in the period in which they become known.

3 Investments

During the year the organization increased its investments, which are held in money market mutual funds. The investments are recorded at fair value as of the date of the financial statements.

As at December 31

	2015	2014
	\$	\$
Cash and short-term investments	132,187	13,891
Bonds	<u>183,541</u>	<u>132,119</u>
	<u>315,728</u>	<u>146,010</u>

4 Financial Instruments

Art Starts is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are set out below.

It is the opinion of the Board of Directors that Art Starts 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.

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. The organization is exposed to credit risk through investments and amounts receivable. While amounts receivable are generally unsecured, Art Starts has management procedures in place to mitigate the risk of loss with respect to amounts receivable. Amounts due from funding sources have been formally committed to Art Starts.

Liquidity risk

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

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.

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

Currency risk

Currency risk reflects the risks that the organization's earnings will decline due to fluctuations in foreign currency exchange rates. Art Starts does not have assets or liabilities expressed in foreign currencies. As a result, it 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 the organization to interest rate risk arises from its investments. Fluctuations in market rates of interest are not expected to have a significant impact on Art Starts' 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. Art Starts is not exposed to other price risk.

5 Arts Endowment Fund

The organization has established the Art Starts 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, the organization 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 AEF as at December 31, 2015 was \$34,174 (2014: \$33,368). Under the program, Art Starts is entitled to annual distributions based on the fair market value of the fund. Art Starts has recognized a distribution of \$1,487 in respect of 2015 (2014: \$1,405).

6 Significant contracts

The organization operates from premises in the Yorkdale Shopping Centre subleased from the City of Toronto under a lease expiring April 30, 2023 provided the Funding Agreement described below has not terminated, requiring rent of \$2 per annum, which is estimated to be less than the market rate applicable to comparable premises.

The organization has entered into a Funding Agreement with the City of Toronto until December 31, 2023 which provides grants of \$52,000 annually, provided that the organization continues to organize and deliver youth focused art programming and work with local community partners.

7 Tangible capital assets

Tangible capital assets consists of the following at December 31:

	2015			2014	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 6,744	\$ 6,744	\$ -	\$	442
Furniture and equipment	7,573	7,573	-		184
Music studio	3,421	3,421	-		428
	<u>\$ 17,738</u>	<u>\$ 17,738</u>	<u>\$ -</u>	<u>\$</u>	<u>1,054</u>

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

8 Revenue and Deferred revenue

The organization receives contributions and obtains recognized commitments of funds that are earmarked for specific programs that in some cases are not completed by the end of the year. Revenues relating to the portion of the program that has been completed in the year are recognized as revenue in the same year, and revenues relating to the portion that has not been completed by yearend are deferred and shown as deferred revenue on the statement of financial position, and recognized when the related expenditures take place, generally in the following year.

Revenue is categorized by source, as Government grants, as Foundation and public support grants, and as Special projects, which include activities where Art Starts provides support, mentorship or training for initiatives being delivered by other parties.

Management is required to make estimates that affect the amount of revenue recognized in the current year or deferred to future years. Actual results could differ from those estimates.

Government grants and deferred revenues

	2013 Deferred at Dec. 31	2014 New funding	Recognized in 2014	Deferred at Dec. 31	2015 New funding	Recognized in 2015	Deferred at Dec. 31
	\$	\$	\$	\$	\$	\$	\$
Toronto Arts Council							
Operating grant	65,000	65,000	(65,000)	65,000	65,000	(65,000)	65,000
Platform A	56,250	75,000	(75,000)	56,250	75,000	(81,250)	50,000
Platform A Microgrants	8,000	8,000	(8,000)	8,000	24,000	(19,000)	13,000
City of Toronto							
StART	1,798	-	-	1,798	-	-	1,798
Investing in Neighbourhoods	-	76,682	(76,682)	-	74,465	(74,465)	-
Recreation (Yoga/Skateboard)	20,000	30,000	(35,000)	15,000	25,000	(25,819)	14,181
Youth Arts Action SDIP	-	30,000	-	30,000	30,000	(15,000)	45,000
Yorkdale Shopping Centre	-	52,000	(42,742)	9,258	52,000	(52,000)	9,258
Ontario Arts Council							
Operating grant	39,000	39,000	(39,000)	39,000	39,000	(39,000)	39,000
Projects (Compass)	-	5,500	(2,000)	3,500	-	(3,500)	-
Government of Ontario							
Sports & Recreation/Movin' Up	-	-	-	-	20,636	(314)	20,322
ON Seniors Community Grant	-	-	-	-	6,400	-	6,400
Health Canada							
Program Without Walls	16,255	28,519	(38,723)	6,051	27,692	(24,483)	9,260
Employment and Skills							
Development Canada	-	4,389	(4,389)	-	5,124	(5,124)	-
	206,303	414,090	(386,536)	233,857	444,317	(404,955)	273,219

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

Foundation and public support grants and deferred revenues

Foundation Agency Project	2014 -----			2015 -----			
	Deferred at Dec. 31	New funding	Recognized in 2014	Deferred at Dec. 31	New funding	Recognized in 2015	Deferred at Dec. 31
	\$	\$	\$	\$	\$	\$	\$
Toronto Community Foundation							
Vital Ideas	7,450	-	(7,450)	-	-	-	-
Vital People	698	-	(698)	-	-	-	-
The Volpe - Pelenyi Fund	1,343	-	(1,343)	-	-	-	-
Ada Slight Family Foundation	-	-	-	-	15,000	-	15,000
The Ontario Trillium Foundation							
Mas Movement	-	-	-	-	63,500	(55,700)	7,800
Sew What	16,395	21,000	(37,477)	(82)	21,000	(20,918)	-
Up & Rooted	12,237	47,500	(44,782)	14,955	44,900	(44,900)	14,955
Laidlaw Foundation							
One World	6,500	-	-	6,500	-	(6,500)	-
Betty Averbach Foundation	10,000	-	(10,000)	-	10,000	(10,000)	-
	<u>54,623</u>	<u>68,500</u>	<u>(101,750)</u>	<u>21,373</u>	<u>154,400</u>	<u>(138,018)</u>	<u>37,755</u>
Corporate and private							
RioCan/Lawrence Square	-	-	-	-	6,000	-	6,000
Social Venture Partnership	-	-	-	-	10,000	(7,000)	3,000
Co-operator's Insurance	-	-	-	-	18,000	(12,000)	6,000
Great West Life	13,001	13,000	(13,001)	13,000	15,000	(13,000)	15,000
Intact Foundation	-	5,000	(5,000)	-	-	-	-
Toronto-Dominion Canada Trust	-	-	-	-	2,500	(1,300)	1,200
Movin' Up!							
George Weston Ltd.	-	14,158	(5,000)	9,158	-	(9,158)	-
Green Shield Canada	13,286	-	(13,286)	-	-	-	-
	<u>26,287</u>	<u>32,158</u>	<u>(36,287)</u>	<u>22,158</u>	<u>51,500</u>	<u>(42,458)</u>	<u>31,200</u>
Ontario Arts Council Endowment Fund	-	1,405	(1,405)	-	1,487	(1,487)	-
	<u>80,910</u>	<u>102,063</u>	<u>(139,442)</u>	<u>43,531</u>	<u>207,387</u>	<u>(181,963)</u>	<u>68,955</u>

Art Starts Neighbourhood Cultural Centre

Notes to Financial Statements

December 31, 2015

Special project revenues and deferred revenues

Agency Project	Deferred at Dec. 31	2014 -----		2015 -----			Deferred at Dec. 31
		New funding	Recognized in 2014	Deferred at Dec. 31	New funding	Recognized in 2015	
	\$	\$	\$	\$	\$	\$	\$
City of Toronto Just B Graphic	-	-	-	-	44,000	(43,500)	500
Toronto Community Housing Youth Leadership	7,500	-	(7,500)	-	-	-	-
The Ontario Trillium Foundation Keep Rockin You	-	24,700	(10,000)	14,700	-	(14,700)	-
Just B Graphic	-	43,900	(34,158)	9,742	-	(9,742)	-
Hand Eye Society	-	75,000	(75,000)	-	46,900	(46,900)	-
McConnell Foundation	2,000	-	(2,000)	-	-	-	-
Laidlaw Foundation Simply Swagg	732	-	(732)	-	-	-	-
	10,232	143,600	(129,390)	24,442	90,900	(114,842)	500

9 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation employed in the current year.