

---

**URBANARTS COMMUNITY ARTS  
COUNCIL**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2012 AND AUGUST 31, 2011**

---

## INDEPENDENT AUDITOR'S REPORT

To the Members,  
UrbanArts Community Arts Council

### Report on the Financial Statements

We have audited the accompanying financial statements of UrbanArts Community Arts Council, which comprise the statement of financial position as at August 31, 2012 and August 31, 2011 and the statements of changes in net assets, operations and cash flows for the years 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*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 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 organization'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 organization's internal control. 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the organization derives revenue from fundraising and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, excess of revenue over expenses for the year, assets and net assets.

#### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of UrbanArts Community Arts Council as at August 31, 2012 and August 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants  
Licensed Public Accountants

February 21, 2013  
Toronto, Ontario

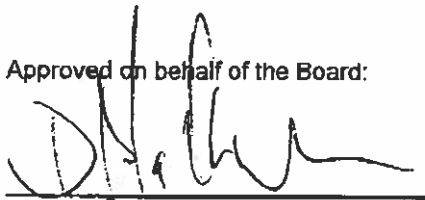
# URBANARTS COMMUNITY ARTS COUNCIL

## STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 160,197	\$ 79,524
Cash held in trust (note 5)	50,000	50,000
Marketable securities (note 3)	271,326	268,658
Amounts receivable	65,552	39,917
HST recoverable	<u>7,387</u>	<u>6,868</u>
	554,462	444,967
Building development costs (note 4)	<u>115,000</u>	<u>115,000</u>
	<u>\$ 669,462</u>	<u>\$ 559,967</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,952	\$ 7,178
City of Toronto Youth Micro-Loan payable (note 5)	50,000	50,000
Deferred revenue (note 6)	<u>378,920</u>	<u>284,103</u>
	435,872	341,281
Deferred capital funding (note 4)	<u>115,000</u>	<u>115,000</u>
	<u>550,872</u>	<u>456,281</u>
Net assets		
Unrestricted	<u>118,590</u>	<u>103,686</u>
	<u>\$ 669,462</u>	<u>\$ 559,967</u>

Approved on behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

see accompanying notes

**URBANARTS COMMUNITY ARTS COUNCIL**

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011**

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Operating and program funding (note 7)	\$ 448,462	\$ 403,155
Donations	26,263	28,463
Program fees and other	17,499	4,419
Interest	<u>2,668</u>	<u>2,182</u>
	<u>494,892</u>	<u>438,219</u>
<b>EXPENSES</b>		
Personnel	265,282	255,906
Artist fees	97,125	63,663
Program	44,474	42,316
Facilities	35,559	31,078
Office and administration	29,374	31,603
Bookkeeping and audit	<u>8,174</u>	<u>7,354</u>
	<u>479,988</u>	<u>431,920</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	14,904	6,299
Net assets, beginning of year	<u>103,686</u>	<u>97,387</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 118,590</u>	<u>\$ 103,686</u>

see accompanying notes

# URBANARTS COMMUNITY ARTS COUNCIL

## STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 14,904	\$ 6,299
Add back non-cash items-		
Net change in working capital items (see below)	<u>68,437</u>	<u>(200,640)</u>
Cash generated (used for) operations	83,341	(194,341)
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale (purchase) of marketable securities	<u>(2,668)</u>	<u>87,817</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from capital funding	<u>nil</u>	<u>115,000</u>
<b>NET CASH INCREASE IN THE YEAR</b>	80,673	8,476
Cash, beginning of year	<u>79,524</u>	<u>71,048</u>
<b>CASH, END OF YEAR</b>	<u>\$ 160,197</u>	<u>\$ 79,524</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ (26,155)	\$ (29,811)
Building development costs		(115,000)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(225)	(2,312)
Deferred revenue	<u>94,817</u>	<u>(53,517)</u>
	<u>\$ 68,437</u>	<u>\$ (200,640)</u>

see accompanying notes

# URBANARTS COMMUNITY ARTS COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012 AND AUGUST 31, 2011

---

### 1. THE ORGANIZATION

UrbanArts Community Arts Council, is incorporated as a not-for-profit corporation without share capital in the Province of Ontario. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The mission of the community based arts organization is to enhance the quality of life for residents of its community by supporting local artists and arts activities and by facilitating community arts projects particularly in under served neighbourhoods.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

#### **Marketable Securities**

Marketable securities are measured at fair value. Fair market values are determined by reference to published price quotations in an active market at year end.

The organization carries guaranteed investment certificates at cost plus accrued interest income which approximates fair market value.

#### **Revenue Recognition**

The organization follows the deferral method of revenue recognition. Under the deferral method, amounts received in the year for expenses to be incurred in the following year are recorded as deferred revenue. The organization's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- ii) Unrestricted grants and donations are recognized as revenue when they are received. Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Donated materials and services which are normally purchased by the organization are not recorded in the accounts.
- ii) Fundraising revenue is recognized in the period in which the event is held.
- iii) Interest income is recognized as revenue when earned.

# URBANARTS COMMUNITY ARTS COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012 AND AUGUST 31, 2011

---

### 3. MARKETABLE SECURITIES AND RISK MANAGEMENT

Marketable securities at August 31 were as follows:

	2012	2011
	Market value	Market value
Money market mutual funds	\$ 167,283	\$ 165,441
Guaranteed investment certificates	56,213	55,908
Fixed income securities	<u>47,830</u>	<u>47,309</u>
	<u>\$ 271,326</u>	<u>\$ 268,658</u>

Marketable securities are held by a major Canadian chartered bank. Guaranteed investment certificates bear an interest rate of 1.25%.

It is management's opinion that the organization is not exposed to significant interest or credit risks.

### 4. PROPERTY DEVELOPMENT COSTS AND RELATED REVENUE

Costs associated with the development of a permanent residence for the organization at 5 Bartonville Avenue in Toronto, Ontario are recorded as prepaid development costs. At the date of occupancy of the property the capitalized costs will be amortized over the useful lives of the assets.

Grants and other revenue related to the project are also deferred to the date of occupancy of the property. Related revenue will be recognized over the same period as the related assets are amortized.

### 5. CITY OF TORONTO YOUTH MICRO-LOAN PAYABLE

The City of Toronto, Social Development, Finance & Administration (SDF&A) Youth Micro-Loan Initiative is a social enterprise-training program that enables marginalized youth to foster a business idea into a realistic business plan. The City of Toronto SDF&A has provided \$50,000 to act as surety for the micro-loans. These funds are held by the organization in trust for the City of Toronto SDF&A and are only withdrawn in the event that a qualifying entrepreneur defaults on their loan. As at August 31, 2012, none of the funds were used to repay micro-loans in default.

# URBANARTS COMMUNITY ARTS COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012 AND AUGUST 31, 2011

---

### 6. DEFERRED REVENUE

Deferred revenue is composed of the following:

	2012	2011
The Ontario Trillium Foundation	\$ 142,800	\$ 60,483
City of Toronto Culture Division - operations	94,635	94,635
Microsoft Corporation	88,485	88,485
Ontario Arts Council	38,000	40,500
Toronto Community Foundation	<u>15,000</u>	<u>          </u>
Deferred revenue, end of year	<u>\$ 378,920</u>	<u>\$ 284,103</u>

Continuity of deferred revenue for the year is as follows:

Deferred revenue, beginning of year	\$ 284,103	\$ 45,313
Cash received from operating and program funding in year	543,279	641,945
Operating and program funding recognized in year (note 7)	<u>(448,462)</u>	<u>(403,155)</u>
Deferred revenue, end of year	<u>\$ 378,920</u>	<u>\$ 284,103</u>

### 7. OPERATING AND PROGRAM FUNDING

Operating and program funding recognized in the year was as follows:

	2012	2011
<b>Operating grants</b>		
The Ontario Trillium Foundation	\$ 135,383	\$ 62,417
City of Toronto Culture Division - operations	94,635	94,635
Ontario Arts Council	48,430	54,343
City of Toronto Employment and Social Services	14,187	
United Way	14,000	5,000
Toronto Community Foundation	<u>          </u>	<u>18,000</u>
	<u>306,635</u>	<u>234,395</u>
<b>Program grants</b>		
Toronto District School Board	83,726	
Laidlaw Foundation	24,750	20,000
City of Toronto - Start	15,882	
City of Toronto - Micro Loan	7,800	46,278
City of Toronto - Graffiti Transformation program		27,410
Jays Care Foundation		44,952
Toronto Community Housing Corporation		24,900
Other	<u>9,669</u>	<u>5,220</u>
	<u>141,827</u>	<u>168,760</u>
	<u>\$ 448,462</u>	<u>\$ 403,155</u>

---



# URBANARTS COMMUNITY ARTS COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012 AND AUGUST 31, 2011

---

### 8. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective September 1, 2011, the organization elected to adopt the Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with this new framework which have been applied retrospectively.

Management reviewed the exemptions provided on transition to the Canadian accounting standards for not-for-profit organizations and has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of the transition. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, there has been no restatement of previously reported amounts as at the date of the transition, being September 1, 2010. The presentation and disclosures in the financial statements reflect the requirements under the new accounting framework.