

**CONTEMPORARY ART FORUM KITCHENER
AND AREA (CAFKA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the members of Contemporary Art Forum Kitchener and Area (CAFKA):

We have audited the accompanying financial statements of Contemporary Art Forum Kitchener and Area (CAFKA) which comprise the statement of financial position as at November 30, 2016, and the statements of operations and surplus and cash flows for the year ended November 30, 2016 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 audit. We conducted our audit 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 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 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 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 revenues from various sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of non-grant revenues 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 revenues, excess of revenues over expenses, assets and surplus.

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 Contemporary Art Forum Kitchener and Area (CAFKA) as at November 30, 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.

Guelph, Ontario
March 21, 2017

Embree & Co. LLP

Embree & Co. LLP
Chartered Professional Accountants
Licensed Public Accountants

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF FINANCIAL POSITION

NOVEMBER 30, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 980	\$ 14,556
Contributions receivable (note 2)	2,941	-
Government remittances recoverable	7,971	249
Prepaid expenses	<u>569</u>	<u>440</u>
	12,461	15,245
EQUIPMENT (note 3)	<u>808</u>	<u>1,047</u>
	<u>\$ 13,269</u>	<u>\$ 16,292</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 5,424	\$ 4,002
Deferred revenues (note 4)	<u>-</u>	<u>13,509</u>
	5,424	17,511
SURPLUS		
SURPLUS (DEFICIT)	<u>7,845</u>	<u>(1,219)</u>
	<u>\$ 13,269</u>	<u>\$ 16,292</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

(See accompanying notes to financial statements)

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF OPERATIONS AND SURPLUS

FOR THE YEAR ENDED NOVEMBER 30, 2016

	2016	2015
REVENUES		
Contributed goods and services (note 5)	\$ 114,158	\$ -
Fundraising and donations (note 6)	47,529	6,457
Grants - Foundations	20,000	25,575
Grants - Government	57,940	56,564
Grants - Ontario Arts Council (note 4)	19,235	14,220
Sponsorships	45,000	2,190
Other	<u>2,116</u>	<u>-</u>
	<u>305,978</u>	<u>105,006</u>
EXPENSES		
Advertising and promotion	13,756	6
Amortization	239	343
Bank fees, interest and penalties	744	1,110
Contract labour	6,404	-
Insurance	2,313	1,995
Office	3,311	4,943
Professional fees	6,690	6,735
Programming (notes 5 and 7)	245,513	22,788
Rent	4,272	4,158
Telephone	1,610	1,499
Wages and benefits - administration	<u>12,062</u>	<u>19,807</u>
	<u>296,914</u>	<u>63,384</u>
EXCESS OF REVENUES OVER EXPENSES	9,064	41,622
DEFICIT, beginning	<u>(1,219)</u>	<u>(42,841)</u>
SURPLUS (DEFICIT), ending	<u>\$ 7,845</u>	<u>\$ (1,219)</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 9,064	\$ 41,622
Charges to earnings not requiring cash:		
Amortization	<u>239</u>	<u>343</u>
	9,303	41,965
CHANGES IN NON-CASH WORKING CAPITAL		
(Increase) decrease in contributions receivable	(2,941)	5,406
(Increase) decrease in government remittances recoverable	(7,722)	2,674
(Increase) decrease in prepaid expenses	(129)	105
Increase (decrease) in accounts payable and accrued liabilities	1,422	(56,837)
(Decrease) increase in deferred revenues	<u>(13,509)</u>	<u>13,509</u>
Cash (used in) from operating activities	<u>(13,576)</u>	<u>6,822</u>
(DECREASE) INCREASE IN CASH	(13,576)	6,822
CASH, beginning	<u>14,556</u>	<u>7,734</u>
CASH, ending	<u>\$ 980</u>	<u>\$ 14,556</u>

(See accompanying notes to financial statements)

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016

Contemporary Art Forum Kitchener and Area (CAFKA) is a not-for-profit organization incorporated without share capital under the Business Corporations Act of Ontario and its primary business activity is presenting innovative art within a civic space. CAFKA invites the public to encounter and engage with artists of today and the art they create.

CAFKA encourages groundbreaking artistic projects, welcomes interactive programming and nurtures new and existing audiences for contemporary art. CAFKA is dedicated to artistic growth and offers opportunities for regional, Canadian and international artists. CAFKA builds community partnerships and connections. Committed to high artistic quality, CAFKA activities culminate in biennial thematic forum of visual and media arts in the public realm.

CAFKA is dependent on various grants from government and charitable organizations to support the on-going operations of the organization. The on-going operations of the organization would be impacted on an operational and financial basis without the continuous financial support provided by these various grants.

The organization is a registered charity under the Income Tax Act and is exempt from tax.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Cash

Cash includes deposits at a major financial institution net of outstanding cheques and deposits.

(b) Equipment

Equipment is recorded at cost. Amortization is provided at the following annual rates:

Computer equipment	- 45% to 55% declining-balance basis
Office equipment	- 20% declining-balance basis

Amortization is calculated at one-half of the normal rate in the year of acquisition.

(c) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long term service potential to the organization.

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Revenue recognition

The organization follows the deferral method in accounting for revenue. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed goods and services are recorded as revenue if their fair market value is determinable and the goods and services are used in the normal course of operations.

Donations are recorded as revenue when received or receivable.

Grant and sponsorship revenues are recorded as revenue in accordance with the terms and conditions of the grant or sponsorship agreement.

Other revenues consist of services provided by the organization and are recorded as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization derives a benefit from members acting as volunteers and directors. Since these activities are not normally purchased by the organization and due to the difficulty of determining their fair value, the value of these services are not recognized in the financial statements.

(e) Financial instruments

The organization initially measures its financial assets and liabilities at fair value except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and financial liabilities at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at amortized cost include cash and contributions receivable. Financial liabilities measured at amortized cost include accounts payable.

(f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the organization's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. The valuation of contributed goods and services is the only item material to the financial statements that requires the use of estimates.

2. CONTRIBUTIONS RECEIVABLE

Included in contributions receivable as at November 30, 2016 are donations in the amount of \$1,341 (2015 - \$nil) and grants in the amount of \$1,600 (2015 - \$nil). These contributions pertain to events which occurred during the fiscal year and as such have been included in revenue for the year.

3. EQUIPMENT

	Cost	2016 Accumulated Amortization	Net Book Value	2015 Net Book Value
Computer equipment	\$ 8,246	\$ 8,208	\$ 38	\$ 84
Office equipment	<u>6,933</u>	<u>6,163</u>	<u>770</u>	<u>963</u>
	<u>\$ 15,179</u>	<u>\$ 14,371</u>	<u>\$ 808</u>	<u>\$ 1,047</u>

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016

4. DEFERRED REVENUE

Included in deferred revenues as at November 30, 2016 is \$nil (2015 - \$13,509) received from the Ontario Arts Council.

Recognized as revenue in Grants - Ontario Arts Council for 2016 is \$19,235 (2015 - \$14,220).

The total funds received from the Ontario Arts Council in fiscal 2016 amounted to \$19,235 (2015 - \$27,729).

5. CONTRIBUTED GOODS AND SERVICES

The entire amount of contributed goods and services relate to programming expenses.

6. RELATED PARTY TRANSACTIONS

Included in donations is \$nil (2015 - \$3,725) donated by directors and employees of the organization.

These related party transactions were made in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. PROGRAMMING

Included in programming expenses are costs pertaining to wages and benefits in the amount of \$48,361 (2015 - \$16,205).

8. FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk is the risk that other parties may default on their financial obligations.

The organization is exposed to credit risk on its cash and contributions receivable.

Credit risk associated with cash is minimized substantially by ensuring that the assets are invested with a major financial institution.

Credit risk associated with contributions receivable is minimized by not having significant exposure to any high-risk donors. The organization's contributions receivable consists of funds due from government organizations and large non-profit organizations who have little risk of default.

(b) Liquidity risk

Liquidity risk refers to the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the organization not being able to liquidate assets in a timely manner at a reasonable price.

The organization meets its liquidity requirements by monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

(c) Currency risk

Currency risk refers to the risk that the fair value of financial instruments will fluctuate in value relative to the Canadian dollar due to changes in foreign exchange rates.

The organization is not exposed to significant currency risk.

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2016

8. FINANCIAL INSTRUMENT RISKS - continued

(d) Interest rate risk

Interest rate risk refers to the risk that the fair value of the financial instruments will fluctuate due to changes in market interest rates.

The organization is not exposed to significant interest rate risk.

(e) Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument 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 instruments traded in the market.

The organization is not exposed to significant other price risk.

(f) Market risk

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The organization is not exposed to significant market risk.

The extent of the organization's exposure to the above risks did not change significantly in 2016.

9. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the presentation adopted in the current year.