

**CONTEMPORARY ART FORUM KITCHENER
AND AREA (CAFKA)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2011

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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, 2011, and the statements of operations and deficit 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 generally accepted accounting principles, 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 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 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 from various sources, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of the 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 fund balances.

Qualified Opinion

In our opinion, except for the 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Guelph, Ontario
April 16, 2012

Embre & Co. LLP

Embre & Co. LLP
Chartered Accountants
Licensed Public Accountants

(page 1)

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

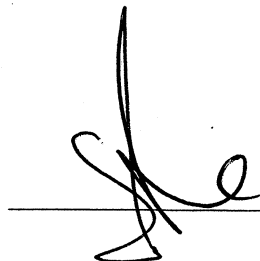
STATEMENT OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2011

	2011	2010
ASSETS		
CURRENT		
Bank	\$ 19,557	\$ 67,816
Grants receivable	39,997	98,268
Government remittances recoverable	7,540	6,814
Prepaid expenses	<u>615</u>	<u>556</u>
	67,709	173,454
GRANTS RECEIVABLE	-	20,600
EQUIPMENT (note 2)	<u>2,689</u>	<u>3,638</u>
	<u>\$ 70,398</u>	<u>\$ 197,692</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 61,996	\$ 12,005
Deferred revenues	<u>48,967</u>	<u>139,068</u>
	110,963	151,073
LONG-TERM		
Deferred revenues	<u>-</u>	<u>20,600</u>
	110,963	171,673
NET ASSETS		
(DEFICIT) NET ASSETS	<u>(40,565)</u>	<u>26,019</u>
	<u>\$ 70,398</u>	<u>\$ 197,692</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED NOVEMBER 30, 2011

	2011	2010
REVENUES		
Donations	\$ 9,250	\$ -
Grants - Foundations	50,000	30,170
Grants - Government	147,074	111,634
Grants - Ontario Arts Council	20,935	24,615
Other	<u>67,273</u>	<u>5,368</u>
	<u>294,532</u>	<u>171,787</u>
EXPENSES		
Advertising and promotion	13,769	2,472
Amortization	948	1,589
Bank charges	329	641
Consulting	8,315	-
Exhibition	196,026	-
Insurance	2,578	3,286
Lectures	9,018	11,924
Office	3,657	2,220
Professional fees	8,951	10,137
Programs	3,213	5,177
Rent	3,889	4,298
Telephone	816	2,259
Wages and benefits	103,998	101,236
Website	<u>5,609</u>	<u>-</u>
	<u>361,116</u>	<u>145,239</u>
EXCESS OF (EXPENSES OVER REVENUES) REVENUES OVER EXPENSES	(66,584)	26,548
NET ASSETS (DEFICIT), beginning	<u>26,019</u>	<u>(529)</u>
(DEFICIT) NET ASSETS, ending	\$ <u>(40,565)</u>	\$ <u>26,019</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of (expenses over revenues) revenues over expenses	\$ (66,584)	\$ 26,548
Charges to earnings not requiring cash:		
Amortization	<u>948</u>	<u>1,589</u>
	(65,636)	28,137
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease (increase) in grants receivable	78,871	(93,166)
(Increase) decrease in prepaid expenses	(59)	1,197
Increase in government remittances recoverable	(726)	(6,403)
Increase (decrease) in accounts payable and accrued liabilities	49,992	(4,947)
(Decrease) increase in deferred revenues	<u>(110,701)</u>	<u>143,868</u>
Cash (used in) from operating activities	<u>(48,259)</u>	<u>68,686</u>
 (DECREASE) INCREASE IN CASH	 (48,259)	 68,686
CASH, beginning	<u>67,816</u>	<u>(870)</u>
CASH, ending represented by bank	<u><u>\$ 19,557</u></u>	<u><u>\$ 67,816</u></u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2011

Contemporary Art Forum Kitchener and Area (CAFKA) presents 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.

The organization is incorporated without share capital under the laws of the Business Corporation Act of Ontario 1983.

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 generally accepted accounting principles and reflect the following policies:

(a) Equipment

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

Computer equipment	- 30% 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.

(b) 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 carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(c) Deferred revenues

Deferred grant revenue is recorded as revenue when it is earned rather than as it is received.

(d) Revenue recognition

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

All other revenues amounts are recognized as they are received.

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Contributed goods and services

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 these services are not recognized in the financial statements.

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

(f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results may differ from these estimates. There are no material items estimated on the financial statements.

2. EQUIPMENT

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Computer equipment	\$ 12,794	\$ 12,456	\$ 338	\$ 699
Office equipment	<u>6,933</u>	<u>4,582</u>	<u>2,351</u>	<u>2,939</u>
	<u>\$ 19,727</u>	<u>\$ 17,038</u>	<u>\$ 2,689</u>	<u>\$ 3,638</u>

3. GOVERNMENT AND CHARITABLE GRANTS

Various grants from government and charitable organizations were received throughout the year to support the operations of the organization. The on-going operations of the organization could not continue without these grants and therefore they are recorded as part of normal operations.

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2011

4. FINANCIAL INSTRUMENTS

In accordance with CICA Handbook section 3855, Financial Instruments - Recognition and Measurement, financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by management when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The financial assets and financial liabilities of the organization are classified and measured as follows:

<u>Financial asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Bank	Held for trading	Fair value
Grants receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statement of operations and net assets in the period in which the gains or losses occur.

(a) Credit risk

The organization's exposure to credit risk relates to bank and grants receivable and arises from the possibility that other parties may default on their financial obligations.

Credit risk associated with bank is minimized substantially by ensuring that the assets are invested in major financial institutions.

Credit risk associated with grants receivable is not significant because the receivable is from a government agency.

(b) 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.

(c) 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.

(d) 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 regularly monitoring cash flows from operations.

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2011

4. FINANCIAL INSTRUMENTS - continued

(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 in 2011.

5. FUTURE CHANGE IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Beginning December 1, 2011, the organization will adopt a new source of accounting principles, Canadian accounting standards for not-for-profit organizations. Management is currently evaluating the impact that this will have on the organization.

6. COMPARATIVE FIGURES

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