CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2013

EMBREE

CHARTERED CO. LLP ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the directors 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, 2013, 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 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 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 expenses over revenues and cash flows for the year ended November 30, 2013 and current assets and deficit as at November 30, 2013.

Qualified Opinion

In our opinion, except for the potential 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, 2013, 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.

Embree & Co. LLP

Guelph, Ontario
March 24, 2014

Embree & Co. LLP
Chartered Accountants
Licensed Public Accountants

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF FINANCIAL POSITION

NOVEMBER 30, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	$ -	$ 57,065
Restricted cash (note 2)	4,090	-
Government remittances recoverable	13,705	3,964
Prepaid expenses	525	515
	18,320	61,544
EQUIPMENT (note 3)	1,914	2,784
	$ 20,234	$ 64,328
LIABILITIES		
CURRENT		
Bank overdraft	$ 1,466	$ -
Accounts payable and accrued liabilities	11,658	12,460
Deferred revenues (notes 2 and 4)	19,890	53,411
	33,014	65,871
NET DEFICIT		
DEFICIT	(12,780)	(1,543)
	$ 20,234	$ 64,328

APPROVED ON BEHALF OF THE BOARD:

_________________ Director _________________ Director

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED NOVEMBER 30, 2013

	2013	2012
REVENUES		
Contributed goods and services	$ 6,043	$ -
Donations	18,104	5,893
Grants - Foundations	32,066	35,000
Grants - Government	66,453	105,331
Grants - Ontario Arts Council (note 4)	15,800	17,868
Other	17	1,139
Sponsorships	33,111	14,289
	171,594	179,520
EXPENSES		
Advertising and promotion	8,785	8,585
Amortization	870	874
Artist-in-residence	25,704	3,455
Bank charges	246	202
Contract labour	300	-
Exhibitions	17,921	-
Insurance	2,247	2,301
Lectures	10,616	17,108
Office	3,812	5,092
Professional fees	5,917	11,821
Rent	4,047	4,060
Telephone	1,922	1,696
Wages and benefits	100,444	82,406
Website	-	2,740
	182,831	140,340
EXCESS OF (EXPENSES OVER REVENUES) REVENUES OVER EXPENSES BEFORE THE FOLLOWING	(11,237)	39,180
LOSS ON DISPOSAL OF EQUIPMENT	-	(160)
EXCESS OF (EXPENSES OVER REVENUES) REVENUES OVER EXPENSES	(11,237)	39,020
DEFICIT, beginning	(1,543)	(40,563)
DEFICIT, ending	$ (12,780)	$ (1,543)

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of (expenses over revenues) revenues over expenses	$ (11,237)	$ 39,020
Charges to operations not requiring cash:		
Amortization	870	874
Loss on disposal of equipment	-	160
	(10,367)	40,054
CHANGES IN NON-CASH WORKING CAPITAL		
Increase in restricted cash	(4,090)	-
(Increase) decrease in government remittances recoverable	(9,741)	3,576
Decrease in grants receivable	-	39,997
(Increase) decrease in prepaid expenses	(10)	100
Increase in bank overdraft	1,466	-
Decrease in accounts payable and accrued liabilities	(802)	(49,534)
(Decrease) increase in deferred revenues	(33,521)	4,444
Cash (used in) from operating activities	(57,065)	38,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(1,129)
Cash used in investing activities	-	(1,129)
(DECREASE) INCREASE IN CASH	(57,065)	37,508
CASH, beginning	57,065	19,557
CASH, ending	$ -	$ 57,065

(See accompanying notes to financial statements)

Contemporary Art Forum Kitchener and Area (CAFKA) is a not-for-profit organization incorporated without share capital under the Business Corporations Act of Ontario (1990) 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 (bank overdraft)

Cash (bank overdraft) 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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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. The contributed amounts consisted of promotional items and design services related to the exhibition.

Donations are recorded as revenue when received.

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

Other revenues 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 includes restricted cash. Financial liabilities measured at amortized cost include bank overdraft and 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. There are no items material to the financial statements that require the use of estimates.

2. RESTRICTED CASH

Restricted cash represents funds that have been segregated for future lecture expenses. The amount is expected to be used before December 1, 2014. A corresponding amount related to the restricted cash has been included in deferred revenues.

3. EQUIPMENT

	2013			2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 8,246	$ 7,837	$ 409	$ 903
Office equipment	6,933	5,428	1,505	1,881
	$ 15,179	$ 13,265	$ 1,914	$ 2,784

4. ONTARIO ARTS COUNCIL

As at November 30, 2013, the balance of Ontario Arts Council funding recorded in grants receivable is $Nil (2012 - $Nil).

Included in deferred revenues as at November 30, 2013 is $15,800 (2012 - $15,800) received from the Ontario Arts Council. The amount as at November 30, 2013 relates to a grant for the 2014 fiscal year and therefore has been allocated to deferred revenues.

Recognized as revenue in Grants - Ontario Arts Council for 2013 is $15,800 (2012 - $17,868).

The total funds received from the Ontario Arts Council in fiscal 2013 amounted to $15,800 (2012 - $36,965).

5. 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 restricted cash.

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

(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 and minimizing its overhead costs when net cash flows are anticipated to be unsustainable based on expected future expenditures.

(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 currency risk.

(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 interest rate risk.

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5. FINANCIAL INSTRUMENT RISKS - 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 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 market risk.

The extent of the organization's exposure to the above risks did not change significantly in 2013.