

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

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED NOVEMBER 30, 2012 AND
NOVEMBER 30, 2011**

CONTENTS

	Page
Independent auditor's report	1
Statements of financial position	2
Statements of operations and deficit	3
Statements of cash flows	4
Notes to financial statements	5 - 9



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 statements of financial position as at November 30, 2012, November 30, 2011 and December 1, 2010, and the statements of operations and deficit and cash flows for the years ended November 30, 2012 and November 30, 2011 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 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 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 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 revenues over expenses (expenses over revenues) and (deficit) net assets.

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, 2012, November 30, 2011 and December 1, 2010, and the results of its operations and its cash flows for the years ended November 30, 2012 and November 30, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Guelph, Ontario
April 15, 2013

Embree & Co. LLP
Embree & Co. LLP
Chartered Accountants
Licensed Public Accountants

(page 1)

350 Speedvale Avenue W., Suite 8, Guelph, Ontario N1H 7M7
Phone (519) 821-1555 Fax (519) 821-6168 Toll Free 866-531-1555 general@embreeillp.ca

485 Pinebush Road, Suite 301, Cambridge, Ontario N1T 0A6
Phone (519) 621-5660 Fax (519) 621-2918 Toll Free 888-653-6539 cambridge@embreeillp.ca

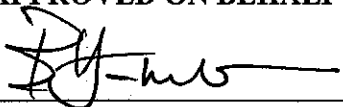
CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENTS OF FINANCIAL POSITION


NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

	2012	2011 (Note 2)	December 1, 2010 (Note 2)
ASSETS			
CURRENT			
Cash	\$ 57,065	\$ 19,557	\$ 67,816
Grants receivable (note 3)	-	39,997	98,268
Government remittances recoverable	3,964	7,540	6,814
Prepaid expenses	<u>515</u>	<u>615</u>	<u>556</u>
	61,544	67,709	173,454
GRANTS RECEIVABLE	-	-	20,600
EQUIPMENT (note 4)	<u>2,784</u>	<u>2,689</u>	<u>3,638</u>
	<u>\$ 64,328</u>	<u>\$ 70,398</u>	<u>\$ 197,692</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 12,460	\$ 61,994	\$ 12,002
Deferred revenues (note 3)	<u>53,411</u>	<u>48,967</u>	<u>139,068</u>
	65,871	110,961	151,070
LONG-TERM			
Deferred revenues	<u>-</u>	<u>-</u>	<u>20,600</u>
	<u>65,871</u>	<u>110,961</u>	<u>171,670</u>
DEFICIT			
(DEFICIT) NET ASSETS	<u>(1,543)</u>	<u>(40,563)</u>	<u>26,022</u>
	<u>\$ 64,328</u>	<u>\$ 70,398</u>	<u>\$ 197,692</u>

APPROVED ON BEHALF OF THE BOARD:



Director



Director

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENTS OF OPERATIONS AND DEFICIT

**FOR THE YEARS ENDED NOVEMBER 30, 2012 and
NOVEMBER 30, 2011**

	2012	2011 (Note 2)
REVENUES		
Contributed goods and services	\$ -	\$ 48,410
Donations	5,893	9,270
Grants - Foundations	35,000	50,000
Grants - Government	105,331	147,074
Grants - Ontario Arts Council (note 3)	17,868	20,935
Other	1,139	3,353
Sponsorships	<u>14,289</u>	<u>15,489</u>
	<u>179,520</u>	<u>294,531</u>
EXPENSES		
Advertising and promotion	8,585	13,769
Amortization	874	948
Artist-in-residence	3,455	-
Bank charges	202	329
Consulting	-	8,315
Exhibition	-	196,026
Insurance	2,301	2,578
Lectures	17,108	9,018
Office	5,092	3,657
Professional fees	11,821	8,951
Programs	-	3,213
Rent	4,060	3,889
Telephone	1,696	816
Wages and benefits	82,406	103,998
Website	<u>2,740</u>	<u>5,609</u>
	<u>140,340</u>	<u>361,116</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE THE FOLLOWING	39,180	(66,585)
LOSS ON DISPOSAL OF EQUIPMENT	<u>(160)</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	39,020	(66,585)
(DEFICIT) NET ASSETS, beginning	<u>(40,563)</u>	<u>26,022</u>
DEFICIT, ending	<u>\$ (1,543)</u>	<u>\$ (40,563)</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2012 and
NOVEMBER 30, 2011

	2012	2011 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	39,020	(66,585)
Charges to operations not requiring cash:		
Amortization	874	948
Loss on disposal of equipment	<u>160</u>	<u>-</u>
	40,054	(65,637)
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease in grants receivable	39,997	78,871
Decrease (increase) in government remittances recoverable	3,576	(726)
Decrease (increase) in prepaid expenses	100	(59)
(Decrease) increase in accounts payable and accrued liabilities	(49,534)	49,993
Increase (decrease) in deferred revenues	<u>4,444</u>	<u>(110,701)</u>
Cash from (used in) operating activities	<u>38,637</u>	<u>(48,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(1,129)</u>	<u>-</u>
Cash used in investing activities	<u>(1,129)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	37,508	(48,259)
CASH, beginning	<u>19,557</u>	<u>67,816</u>
CASH, ending	<u>\$ 57,065</u>	<u>\$ 19,557</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

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). 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 cash held on deposit at a major financial institution.

(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.

continued....

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Revenue recognition

The organization follows the deferral method in accounting for revenue. Restricted revenues are recognized as revenue in the period in which the related expenses are incurred. Unrestricted revenues 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 or when the related expenses are incurred.

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 these services are not recognized in the financial statements.

(e) Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment and any write-down is recognized in net earnings in the period when such impairment occurs. In subsequent periods, any previously recognized impairment loss may be reversed, provided that the reversal is no greater than the amount of impairment previously recognized. The amount of the reversal is recognized in net earnings.

(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. Items material to the financial statements that require the use of estimates include determination of the useful lives of equipment. Actual results may differ from these estimates.

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

2. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective December 1, 2011 the organization adopted the new Canadian accounting standards for not-for-profit organizations (ASNPO) as set out in Part III of the Canadian Institute of Chartered Accountants (CICA) Handbook. These are the organization's first financial statements prepared in accordance with ASNPO which have been applied retrospectively. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended November 30, 2012, the comparative information presented in these financial statements for the year ended November 30, 2011 and in the preparation of an opening ASNPO statement of financial position as at December 1, 2010 (the company's date of transition).

(a) There were no adjustments to net assets required at December 1, 2010.

(b) Reconciliation of previously reported excess of expenses over revenues and cash flows with the amount shown in these financial statements:

There were no adjustments required.

(c) Elective exemptions available for use in the transition to Canadian ASNPO:

The rules for transition to Canadian ASNPO normally require that an enterprise prepare its opening statement of financial position using the standards that will be followed thereafter. However, certain elective exemptions from this rule are available. In preparing the opening statement of financial position, the organization used the following elective exemptions:

- Restatement of business combinations prior to date of transition

3. ONTARIO ARTS COUNCIL

As at November 30, 2012, the balance of Ontario Arts Council funding recorded in grants receivable is \$Nil (2011 - \$3,297; December 1, 2010 - \$Nil).

Included in deferred revenues as at November 30, 2012 is \$15,800 (2011 - \$Nil; December 1, 2010 - \$17,638) received from the Ontario Arts Council. The amount as at November 30, 2012 relates to a grant for the 2013 fiscal year therefore it has been allocated to deferred revenues.

Recognized as revenue in Grants - Ontario Arts Council for 2012 is \$17,868 (2011 - \$20,935).

The total amount received from the Ontario Arts Council in fiscal 2012 amounted to \$36,965 (2011 - \$20,935).

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

4. EQUIPMENT

	2012		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,246	\$ 7,343	\$ 903
Office equipment	<u>6,933</u>	<u>5,052</u>	<u>1,881</u>
	<u>\$ 15,179</u>	<u>\$ 12,395</u>	<u>\$ 2,784</u>
	2011		
	(Note 2)		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 12,794	\$ 12,456	\$ 338
Office equipment	<u>6,933</u>	<u>4,582</u>	<u>2,351</u>
	<u>\$ 19,727</u>	<u>\$ 17,038</u>	<u>\$ 2,689</u>
	December 1, 2010		
	(Note 2)		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 12,794	\$ 12,095	\$ 699
Office equipment	<u>6,933</u>	<u>3,994</u>	<u>2,939</u>
	<u>\$ 19,727</u>	<u>\$ 16,089</u>	<u>\$ 3,638</u>

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012, NOVEMBER 30, 2011 and DECEMBER 1, 2010

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 cash.

Credit risk associated with cash is minimized substantially by ensuring that the assets are deposited 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.

(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 2012.

6. COMPARATIVE FIGURES

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