

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2019



CALIBRE
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Contemporary Art Forum Kitchener and Area (CAFKA) ("the organization"), which comprise the statement of financial position as at November 30, 2019, and the statements of operations and surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Contemporary Art Forum Kitchener and Area (CAFKA) as at November 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 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, assets and surplus.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The audit opinion on the financial statements for the year ended November 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Other Matter

The financial statements of the organization for the year ended November 30, 2018, were audited by another auditor who expressed a modified opinion on those statements on March 25, 2019.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



CALIBRE LLP
Chartered Professional Accountants
Licensed Public Accountants

Guelph, Ontario
May 20, 2020

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF FINANCIAL POSITION

NOVEMBER 30, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 27,947	\$ 67,140
Government remittances recoverable	8,244	7,409
Prepaid expense	<u>110</u>	<u>566</u>
	36,301	75,115
EQUIPMENT (note 2)	<u>1,430</u>	<u>2,867</u>
	<u>\$ 37,731</u>	<u>\$ 77,982</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 12,381	\$ 6,006
Deferred revenues (note 3)	<u>11,001</u>	<u>25,110</u>
	23,382	31,116
SURPLUS		
	<u>14,349</u>	<u>46,866</u>
	<u>\$ 37,731</u>	<u>\$ 77,982</u>

APPROVED ON BEHALF OF THE BOARD:

Jessie Lacayo Director

[Signature] 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, 2019

	2019	2018
REVENUES		
Contributed goods and services (note 4)	\$ 11,923	\$ 6,120
Fundraising and donations	5,475	56,275
Grants - Foundations	20,000	20,000
Grants - Government	59,722	151,565
Grants - Ontario Arts Council (note 3)	11,610	11,327
Other	1,529	2,580
Sponsorships	<u>8,500</u>	<u>16,500</u>
	<u>118,759</u>	<u>264,367</u>
EXPENSES		
Advertising and promotion	8,657	15,611
Amortization	1,437	1,159
Bank fees and interest	417	1,103
Insurance	1,684	2,340
Office	1,908	2,508
Professional fees	4,181	5,181
Programming (note 6)	91,930	168,182
Rent	4,664	4,458
Telephone	1,316	1,783
Wages and benefits - administration	<u>35,082</u>	<u>35,650</u>
	<u>151,276</u>	<u>237,975</u>
EXCESS OF (EXPENSES OVER REVENUES) REVENUES OVER EXPENSES	(32,517)	26,392
SURPLUS, beginning	<u>46,866</u>	<u>20,474</u>
SURPLUS, ending	<u>\$ 14,349</u>	<u>\$ 46,866</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED NOVEMBER 30, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of (expenses over revenues) revenues over expenses	\$ (32,517)	\$ 26,392
Charges to earnings not requiring cash:		
Amortization	<u>1,437</u>	<u>1,159</u>
	(31,080)	27,551
CHANGES IN NON-CASH WORKING CAPITAL		
Increase in government remittances recoverable	(835)	(6,797)
Decrease (increase) in prepaid expense	456	(90)
Increase (decrease) in accounts payable and accrued liabilities	6,375	(4,680)
(Decrease) increase in deferred revenues	<u>(14,109)</u>	<u>12,928</u>
Cash (used in) from operating activities	<u>(39,193)</u>	<u>28,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>-</u>	<u>(3,393)</u>
Cash used in investing activities	<u>-</u>	<u>(3,393)</u>
(DECREASE) INCREASE IN CASH	(39,193)	25,519
CASH, beginning	<u>67,140</u>	<u>41,621</u>
CASH, ending	<u>\$ 27,947</u>	<u>\$ 67,140</u>

(See accompanying notes to financial statements)

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2019

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.

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 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	- 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.

(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 when received.

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.

Fundraising and 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 is not recognized in the financial statements.

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CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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. 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. Material estimates embodied in these financial statements include the valuation of the contributed goods and services.

2. EQUIPMENT

	Cost	2019 Accumulated Amortization	Net Book Value	2018 Net Book Value
Computer equipment	\$ 4,522	\$ 3,412	\$ 1,110	\$ 2,466
Office equipment	<u>6,933</u>	<u>6,613</u>	<u>320</u>	<u>401</u>
	<u>\$ 11,455</u>	<u>\$ 10,025</u>	<u>\$ 1,430</u>	<u>\$ 2,867</u>

3. ONTARIO ARTS COUNCIL

Included in deferred revenues as at November 30, 2019 is \$11,001 (2018 - \$11,610) received from the Ontario Arts Council.

Recognized as revenue in Grants - Ontario Arts Council for 2019 is \$11,610 (2018 - \$11,327).

The total funds received from the Ontario Arts Council in 2019 amounted to \$11,001 (2018 - \$11,610).

4. CONTRIBUTED GOODS AND SERVICES

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

5. RELATED PARTY TRANSACTIONS

Included in donations is \$Nil (2018 - \$1,000) 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.

6. PROGRAMMING

Included in programming expenses are costs pertaining to wages and benefits in the amount of \$41,914 (2018 - \$47,461).

CONTEMPORARY ART FORUM KITCHENER AND AREA (CAFKA)

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2019

7. 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 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, 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.

(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 2019.

8. SUBSEQUENT EVENTS

On January 31, 2020, the World Health Organization announced the Coronavirus Outbreak as a Global Health Emergency. Following this announcement, the Canadian Government started limiting businesses that were permitted to remain open and operate. The organization's initially planned 2020 bi-annual exhibition has been postponed to June of 2021.