

Financial Statements

Community Arts & Heritage Education Project

June 30, 2011

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Operations and Net Assets	3
Balance Sheet	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 8

Independent Auditor's Report

To the Directors of
Community Arts & Heritage Education Project

We have audited the accompanying financial statements of Community Arts & Heritage Education Project which comprise the balance sheet as at June 30, 2011, the statements of operations and net assets 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 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, Community Arts & Heritage Education Project derives a portion of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the accounts of the Community Arts & Heritage Education Project and we were unable to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and net assets.

Qualified opinion

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Community Arts & Heritage Education Project as at June 30, 2011, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
December 15, 2011

Chartered Accountants
Licensed Public Accountants

Community Arts & Heritage Education Project Statement of Operations and Net Assets

Year ended June 30	2011	2010
	\$	\$
REVENUES		
Fees, admissions, sales and fundraising	43,818	55,504
Private sector contributions	14,606	13,961
Grants and funding <i>[note 4]</i>	143,252	219,300
	201,676	288,765
EXPENSES		
Administrative expenses, salaries and benefits	99,302	98,356
Artistic salaries and benefits	25,310	25,750
Artists' fees	33,164	39,435
Board and staff development	2,336	5,285
Marketing and promotion	3,116	3,229
Office	16,480	11,825
Professional fees	3,898	3,317
Programming	38,866	79,566
Rent	3,077	2,972
Resource production	679	61
	226,228	269,796
Excess (deficiency) of revenues over expenses for year	(24,552)	18,969
Net assets, beginning of year	41,974	23,005
Net assets, end of year	17,422	41,974

See accompanying notes to the financial statements.

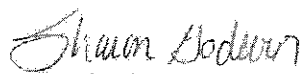
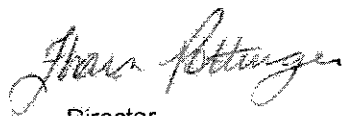
Community Arts & Heritage Education Project

Balance Sheet

As at June 30	2011	2010
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	29,977	107,704
Accounts receivable	9,614	11,249
Prepaid expenses	—	2,640
	39,591	121,593
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	8,143	4,087
Deferred revenue <i>[note 3]</i>	14,026	75,532
Total current liabilities	22,169	79,619
Net assets		
Internally restricted <i>[note 7]</i>	—	16,800
Unrestricted	17,422	25,174
Total net assets	17,422	41,974
	39,591	121,593

See accompanying notes to the financial statements.

On behalf of the Board:

 Director	 Director <i>President.</i>
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Community Arts & Heritage Education Project Statement of Cash Flows

Year ended June 30	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for year	(24,552)	18,969
Net change in non-cash working capital balances related to operations <i>[note 5]</i>	(53,175)	(12,414)
Cash provided by (used in) operating activities	(77,727)	6,555
Increase (decrease) in cash and cash equivalents during year	(77,727)	6,555
Cash and cash equivalents, beginning of year	107,704	101,149
Cash and cash equivalents, end of year	29,977	107,704

See accompanying notes to the financial statements.

Community Arts & Heritage Education Project

Notes to the Financial Statements

June 30, 2011

1. NATURE OF ORGANIZATION

The Community Arts & Heritage Education Project (CAHEP) is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

CAHEP was established to envision, develop and implement inclusive, culturally diverse, high quality inter-generational arts and heritage programming for the benefit of the Thunder Bay community. CAHEP is created for non-profit purposes. No part of any profit, dues or donations to the Organization shall be used to the benefit of any member or individual.

As a result of its not-for-profit status, CAHEP is exempt from the payment of income taxes under one or more provisions of the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are within the framework of the significant accounting policies summarized below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks.

Financial instruments

The Organization has classified cash and cash equivalents as held-for-trading, accounts receivable as loans and receivables, accounts payable and accrued liabilities as other financial liabilities.

The standards require that financial assets are classified as held-for-trading (HFT), held-to-maturity (HTM), available for sale (AFS) or loans and receivables (L&R). Financial liabilities are classified as HFT or other financial liabilities (OFL). Financial assets and liabilities are initially recognized at fair value with the subsequent measurement based on classification. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable.

All financial instruments, including derivatives, are measured at fair value except for L&R, HTM and OFL which are measured at amortized cost using the effective interest method. Changes in the fair value of HFT instruments are recognized in the statement of operations and net assets. Changes in the unrealized gains and losses of AFS investments are recognized in the statement of operations and net assets. Investment income comprising interest, dividends and realized gains and losses is recognized in the statement of operations and net assets.

Fair values are based on quoted market values where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

Community Arts & Heritage Education Project

Notes to the Financial Statements

June 30, 2011

Transaction costs related to HFT instruments are expensed as incurred. Transaction costs related to other than HFT instruments are capitalized and amortized using the effective interest method.

Revenue recognition

CAHEP follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the expenses are recognized.

Unrestricted donations are recorded on a cash basis since pledges are not legally enforceable claims.

Interest, fundraising and other revenues are recognized as revenue when received or receivable, can be measured and collectability is assured.

3. DEFERRED REVENUE

Deferred revenue at year-end consists of:

	2011	2010
	\$	\$
Johansen-Larsen Foundation	1,800	5,000
Ontario Ministry of Tourism and Culture	2,476	-
Ontario Trillium Foundation - Province Wide Rollout	-	43,803
Strategic Collaboration Fund and Compass Grant - Ontario Arts Council	2,000	21,342
City of Thunder Bay Cultural Services - Operating	6,250	3,887
United Way	1,500	1,500
	14,026	75,532

Community Arts & Heritage Education Project

Notes to the Financial Statements

June 30, 2011

4. GRANTS AND FUNDING

Government grants and funding at year-end consist of:

	2011	2010
	\$	\$
Ontario Trillium Foundation	44,703	95,835
Canadian Heritage Federal Funding	3,700	6,000
Municipal - Arts & Heritage Thunder Bay	10,137	17,678
Northern Ontario Heritage Fund	7,251	14,629
Ontario Arts Council	77,151	65,158
Ontario Ministry of Tourism and Culture	310	-
RBC Foundation - Afterschool project	-	20,000
	143,252	219,300

5. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2011	2010
	\$	\$
Decrease (increase) in current assets		
Accounts receivable	1,635	(2,034)
Prepaid expenses	2,640	(2,220)
	4,275	(4,254)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	4,056	(13,554)
Deferred revenue	(61,506)	5,394
	(57,450)	(8,160)
	(53,175)	(12,414)

6. FINANCIAL INSTRUMENTS

Fair value

Financial instruments of CAHEP consist mainly of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial assets and liabilities approximate their fair values due to their short maturities.

7. INTERNAL RESTRICTIONS

The Organization has internally restricted net assets of \$nil [2010 - \$16,800] to fund upcoming costs related to Executive Director transition and staff succession.