

**Sketch**  
**Working Arts for Street Involved**  
**and Homeless Youth**

**Financial Statements**

**December 31, 2021**



**Clarkson Rouble LLP**

Chartered Professional Accountants

## **Independent Auditor's Report**

To the Members of

### **Sketch Working Arts for Street Involved and Homeless Youth**

#### **Qualified Opinion**

We have audited the financial statements of **Sketch Working Arts for Street Involved and Homeless Youth** (the Organization), which comprise the statement of financial position as at **December 31, 2021**, the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the 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 the Organization as at December 31, 2021, 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, **Sketch Working Arts for Street Involved and Homeless Youth** derives revenue from donations, 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 records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 other 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.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

# Sketch Working Arts for Street Involved and Homeless Youth

## Independent Auditor's Report

Page 2

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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.

*Clarkson Rouble LLP*

Mississauga, Ontario  
April 19, 2022

Clarkson Rouble LLP  
Chartered Professional Accountants  
Licensed Public Accountants



# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Financial Position As at December 31

|                                | General<br>Fund   | Capital<br>Asset Fund | 2021<br>Total       | 2020<br>Total       |
|--------------------------------|-------------------|-----------------------|---------------------|---------------------|
| <b>Assets</b>                  |                   |                       |                     |                     |
| <b>Current</b>                 |                   |                       |                     |                     |
| Cash (Note 2)                  | \$ 523,975        | \$ -                  | \$ 523,975          | \$ 922,606          |
| Accounts receivable            | 331,893           | -                     | 331,893             | 302,650             |
| CEWS receivable (Note 14)      | 12,249            | -                     | 12,249              | 132,802             |
| Sales taxes receivable         | 47,203            | -                     | 47,203              | 49,032              |
| Prepaid expenses               | 34,162            | -                     | 34,162              | 36,746              |
|                                | 949,482           | -                     | 949,482             | 1,443,836           |
| <b>Capital assets (Note 3)</b> | -                 | 4,180,890             | 4,180,890           | 4,293,438           |
|                                | <b>\$ 949,482</b> | <b>\$ 4,180,890</b>   | <b>\$ 5,130,372</b> | <b>\$ 5,737,274</b> |

## Liabilities

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| <b>Current</b>                             |           |           |           |           |
| CEBA Loan (Note 14)                        | \$ 40,000 | \$ -      | \$ 40,000 | \$ 40,000 |
| Accounts payable and accruals              | 190,584   | -         | 190,584   | 210,621   |
| Deferred contributions (Note 4)            | 990,939   | -         | 990,939   | 1,776,179 |
| Deferred capital contributions (Note 5)    | -         | 1,453,727 | 1,453,727 | 836,985   |
| Loans payable (Note 6)                     | -         | -         | -         | 1,077,831 |
| Current portion of long term debt (Note 7) | -         | 26,963    | 26,963    | 25,803    |
|  | 1,221,523 | 1,480,690 | 2,702,213 | 3,967,419 |
| <b>Charitable bonds payable (Note 8)</b>   | -         | 1,400,000 | 1,400,000 | 818,500   |
| <b>Mortgage payable (Note 7)</b>           | -         | 1,022,586 | 1,022,586 | 1,049,528 |
|  | 1,221,523 | 3,903,276 | 5,124,799 | 5,835,447 |

## Net Assets

|  |                   |                     |                     |                     |
|--|-------------------|---------------------|---------------------|---------------------|
| <b>Net assets invested in capital assets</b> | -                 | 277,614             | 277,614             | 284,120             |
| <b>Unrestricted net assets</b>               | (272,041)         | -                   | (272,041)           | (382,293)           |
|  | (272,041)         | 277,614             | 5,573               | (98,173)            |
|  | <b>\$ 949,482</b> | <b>\$ 4,180,890</b> | <b>\$ 5,130,372</b> | <b>\$ 5,737,274</b> |

See accompanying notes to financial statements

On behalf of the Board:

*Charlene Quincey*

Director

*[Signature]*

Director



# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Operations Year Ended December 31

|   | General Fund      |                   | Capital Asset Fund |                    |
|---|-------------------|-------------------|--------------------|--------------------|
|   | 2021              | 2020              | 2021               | 2020               |
| <b>Revenue</b>                                      |                   |                   |                    |                    |
| Government revenue                                  |                   |                   |                    |                    |
| Government of Canada (Note 15)                      | \$ 551,183        | \$ 617,634        | \$ -               | \$ -               |
| Province of Ontario                                 | -                 | 45                | -                  | -                  |
| Ontario Trillium Foundation                         | 728,577           | 878,173           | -                  | -                  |
| Ontario Arts Council (Note 9)                       | 228,138           | 120,246           | -                  | -                  |
| Toronto Arts Council (Note 10)                      | 225,366           | 199,182           | -                  | -                  |
| City of Toronto                                     | 317,730           | 156,505           | -                  | -                  |
| Government Subsidies (Note 14)                      | 155,054           | 601,295           | -                  | -                  |
|   | 2,206,048         | 2,573,080         | -                  | -                  |
| Private sector revenue                              |                   |                   |                    |                    |
| Charitable foundations (Note 15)                    | 1,164,010         | 490,813           | -                  | -                  |
| Corporate donations                                 | 206,507           | 114,959           | -                  | -                  |
| Individual donations                                | 242,054           | 165,139           | -                  | -                  |
| Fundraising   | 102,171           | 177,267           | -                  | -                  |
| Capital campaign                                    | 38,521            | 80,510            | -                  | -                  |
| Partnership agreements                              | 56,735            | 59,710            | -                  | -                  |
| Amortization of deferred capital contributions      | -                 | -                 | 38,831             | 21,854             |
|   | 1,809,998         | 1,088,398         | 38,831             | 21,854             |
| Earned and Other Revenue                            |                   |                   |                    |                    |
| Investment income                                   | 595               | 960               | -                  | -                  |
| Workshops and presentations                         | 43,709            | -                 | -                  | -                  |
| Facilities rental                                   | 16,696            | 30,325            | -                  | -                  |
| Recoveries and rebates                              | -                 | 3,175             | -                  | -                  |
|   | 61,000            | 34,460            | -                  | -                  |
|   | 4,077,046         | 3,695,938         | 38,831             | 21,854             |
| <b>Expenses</b>                                     |                   |                   |                    |                    |
| Personnel costs                                     | 1,892,473         | 1,448,793         | -                  | -                  |
| Occupancy costs                                     | 144,802           | 208,859           | -                  | -                  |
| Program and materials costs                         | 1,216,020         | 1,162,789         | -                  | -                  |
| Purchased services and consultants                  | 339,666           | 432,175           | -                  | -                  |
| Fundraising   | 4,935             | 787               | -                  | -                  |
| Office and general                                  | 162,424           | 138,890           | -                  | -                  |
| Promotion   | 25,430            | 13,845            | -                  | -                  |
| Interest on long term debt                          | 113,833           | 136,089           | -                  | -                  |
| Amortization  | -                 | -                 | 112,548            | 108,139            |
|   | 3,899,583         | 3,542,227         | 112,548            | 108,139            |
| <b>Excess (deficiency) of revenue over expenses</b> | <b>\$ 177,463</b> | <b>\$ 153,711</b> | <b>\$ (73,717)</b> | <b>\$ (86,285)</b> |

See accompanying notes to financial statements

## Sketch Working Arts for Street Involved and Homeless Youth

### Statement of Changes in Net Assets Year Ended December 31

|   | Invested in<br>capital assets<br>(Note 3) | Unrestricted | 2021<br>Total<br>Net Assets | 2020<br>Total<br>Net Assets |
|---|---|--------------|-----------------------------|-----------------------------|
| Balance, beginning of year                      | \$ 284,120                                | \$ (382,293) | \$ (98,173)                 | \$ (165,599)                |
| Excess (deficiency) of revenue over<br>expenses | (73,717)                                  | 177,463      | 103,746                     | 67,426                      |
| Transfer between funds                          | 67,211                                    | (67,211)     | -                           | -                           |
| Balance, end of year                            | \$ 277,614                                | \$ (272,041) | \$ 5,573                    | \$ (98,173)                 |

*See accompanying notes to financial statements*

# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Cash Flows Year Ended December 31

|  | General Fund      |                   | Capital Asset Fund |             |
|--|-------------------|-------------------|--------------------|-------------|
|  | 2021              | 2020              | 2021               | 2020        |
| <b>Operating activities</b>                    |                   |                   |                    |             |
| Excess (deficiency) of revenue over expenses   | \$ 177,463        | \$ 153,711        | \$ (73,717)        | \$ (86,285) |
| Items not requiring an outlay of cash          |                   |                   |                    |             |
| Amortization of deferred capital contributions | -                 | -                 | (38,831)           | (21,854)    |
| Amortization                                   | -                 | -                 | 112,548            | 108,139     |
|  | 177,463           | 153,711           | -                  | -           |
| Net change in working capital items            |                   |                   |                    |             |
| Operating working capital                      |                   |                   |                    |             |
| Account receivable                             | (29,243)          | (84,257)          | -                  | -           |
| CEWS receivable                                | 120,553           | (132,802)         | -                  | -           |
| Sales taxes receivable                         | 1,829             | (17,864)          | -                  | -           |
| Prepaid expenses                               | 2,584             | 6,104             | -                  | -           |
| Accounts payable                               | (20,037)          | 146,686           | -                  | -           |
| Sales taxes payable                            | -                 | (130,808)         | -                  | -           |
| Deferred contributions                         | (785,240)         | 667,536           | -                  | -           |
| Current portion of long term debt              | 1,160             | 1,119             | -                  | -           |
| <b>(Decrease) increase from operating</b>      | <b>(530,931)</b>  | <b>609,425</b>    | <b>-</b>           | <b>-</b>    |
| <b>Investing activity</b>                      |                   |                   |                    |             |
| Purchase of capital assets                     | -                 | (33,624)          | -                  | -           |
| <b>Decrease from investing</b>                 | <b>-</b>          | <b>(33,624)</b>   | <b>-</b>           | <b>-</b>    |
| <b>Financing activity</b>                      |                   |                   |                    |             |
| Increase in CEBA loan                          | -                 | 40,000            | -                  | -           |
| Decrease in loans payable                      | (1,077,831)       | (932,169)         | -                  | -           |
| Increase in deferred capital                   | 655,573           | 280,668           | -                  | -           |
| Increase in charitable bonds payable           | 581,500           | 818,500           | -                  | -           |
| Decrease in mortgage payable                   | (26,942)          | (25,788)          | -                  | -           |
| <b>Increase from financing</b>                 | <b>132,300</b>    | <b>181,211</b>    | <b>-</b>           | <b>-</b>    |
| <b>(Decrease) increase in cash</b>             | <b>(398,631)</b>  | <b>757,012</b>    | <b>-</b>           | <b>-</b>    |
| <b>Cash, beginning of year</b>                 | <b>922,606</b>    | <b>165,594</b>    | <b>-</b>           | <b>-</b>    |
| <b>Cash, end of year</b>                       | <b>\$ 523,975</b> | <b>\$ 922,606</b> | <b>\$ -</b>        | <b>\$ -</b> |

See accompanying notes to financial statements

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

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Sketch Working Arts for Street Involved and Homeless Youth is an organization developing cultural programs and educational opportunities for street-involved, at-risk and homeless youth. Sketch Working Arts for Street Involved and Homeless Youth (Sketch) was incorporated without share capital, in the Province of Ontario by letters patent dated December 7, 2001. It qualified for tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act effective March 7, 2003.

### 1. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

#### a) Fund accounting

Sketch follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Sketch's capital assets and leasehold improvements.

#### b) Cash and cash equivalents

The organization considers cash on hand, deposits in bank, and bank line of credit as cash and cash equivalents.

#### c) 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. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and operating loan.

Financial assets measured at fair value include short term investments. Short term investments consists of guaranteed investment certificates which the organization has elected to carry at fair value. Changes in fair value are recognized in net income.

The organization has not elected to carry any financial liability at fair value.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

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### 1. Summary of significant accounting policies (continued)

#### *Transaction costs*

The organization recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amounts of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

#### **d) Capital assets**

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for building and building improvements is 40 years, for furniture is 10 years, for equipment is 5 years, for audio video equipment is 3 years and for computers is 3 years. Leasehold improvements are amortized over the length of the lease plus one renewal period. Amortization expense is reported in the Capital Asset Fund.

#### **e) 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.

#### **f) Revenue recognition**

The organization follows the deferral method of accounting for contributions to the General Fund. Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted grants and donations for purchase of capital assets in excess of current capital campaign expenditures are reported as deferred contributions on the balance sheet and are amortized to operations at the same rate as the related capital assets are amortized to operations.

Unrestricted contributions are recognized as revenue of the General Fund in the year received. Service revenue is recorded as revenue when the services are provided.

#### **g) Contributed material and services**

Donated materials and capital assets are recognized in the accounts when the fair market value of the materials is readily determinable and has been receipted by the organization.

Volunteers contribute many hours per year to assist Sketch Working Arts for Street Involved and Homeless Youth in carrying out its mandate. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

### 1. Summary of significant accounting policies (continued)

#### h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimated life of capital assets, valuation of accounts receivable, and accrued liabilities are the most significant items that involve use of estimates.

### 2. Cash / Bank indebtedness

Cash and cash equivalents consist of cash on hand, deposits with banks, as well as bank line of credit. Cash (bank indebtedness) as presented on the balance sheet and included in the cash flow statement comprise the following:

|                     | 2021              | 2020              |
|---------------------|-------------------|-------------------|
| Deposits with banks | \$ 521,564        | \$ 1,121,649      |
| Cash on hand        | 2,411             | 1,628             |
| Line of credit      | -                 | (200,671)         |
|                     | <b>\$ 523,975</b> | <b>\$ 922,606</b> |

A line of credit, with a limit of \$400,000, bears interest on the outstanding balance at prime plus 1.5% (3.95% at year end), it is payable on demand, and is secured by a general security agreement covering all assets.

### 3. Capital assets

|                       | 2021                |                          | 2020                |                     |
|-----------------------|---------------------|--------------------------|---------------------|---------------------|
|                       | Cost                | Accumulated Amortization | Net Book Value      | Net Book Value      |
| Land                  | \$ 361,639          | \$ -                     | \$ 361,639          | \$ 361,639          |
| Building              | 3,254,749           | 162,737                  | 3,092,012           | 3,173,380           |
| Building improvements | 1,503,830           | 796,856                  | 706,974             | 725,579             |
| Furniture             | 222,780             | 220,029                  | 2,751               | 4,586               |
| Equipment             | 171,832             | 170,429                  | 1,403               | 1,403               |
| Audio Video Equipment | 13,400              | 6,700                    | 6,700               | 11,167              |
| Computer              | 141,038             | 131,627                  | 9,411               | 15,684              |
|                       | <b>\$ 5,669,268</b> | <b>\$ 1,488,378</b>      | <b>\$ 4,180,890</b> | <b>\$ 4,293,438</b> |



# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

### 4. Deferred contributions

Deferred contributions represent unspent externally restricted donations received by the organization related to activities of the subsequent period or specific projects which extend beyond the current fiscal period.

|   | 2021              | 2020                |
|---|-------------------|---------------------|
| Balance, beginning of period                              | \$ 1,776,179      | \$ 1,108,643        |
| Add: Donations/Grants received/receivable during the year | 3,189,027         | 4,342,976           |
| Less: Amounts recorded as revenue in the year             | 3,974,267         | 3,675,440           |
| <b>Balance, end of period</b>                             | <b>\$ 990,939</b> | <b>\$ 1,776,179</b> |

### 5. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the leasehold improvements related to the renovation costs for Unit B01 as well as donations received in the current year for purchase of premises. The change in the deferred capital contribution balance is as follows:

|   | 2021                | 2020              |
|---|---------------------|-------------------|
| Balance, beginning of year                            | \$ 836,985          | \$ 578,171        |
| Capital grants and donations received during the year | 655,573             | 280,668           |
| Amortization of deferred capital contributions        | (38,831)            | (21,854)          |
| <b>Balance, end of year</b>                           | <b>\$ 1,453,727</b> | <b>\$ 836,985</b> |

Included in capital grants and donations received during the year is a one time contribution of \$540,000 received from the City of Toronto. The terms of the agreement with the City of Toronto are for 20 years ending on March 30, 2041. The funds shall be used by the organization exclusively towards funding the acquisition of the property by repayment of the VTB Mortgage (Note 6) for use as a non-profit arts, cultural or community facility community services and serving local residents for the duration of the term. The City deserves the right, in its sole discretion to demand repayment of all or part of the Funds if the Funds are used for any other purposes that are not in compliance with the Agreement. Such demand for repayment by the City is deemed to be a loan and shall become immediately due and payable and subject to the Bank of Canada prime rate of interest as of the date determined by the City.

The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Deferred capital contributions are being amortized at the same rate as the assets, which for building and building improvements is 40 years.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

### 6. Loans payable

|  | 2021        | 2020                |
|--|-------------|---------------------|
| <b>Vendor take-back loan</b>   |             |                     |
| The vendor take-back loan provided by Toronto Artscape Inc. was incurred for the purchase of units B01 and 201 at 180 Shaw Street. The loan became due during the current fiscal year but has been extended by mutual consent of the parties. Interest is accrued at 7% per annum compounded annually. It is the organization intent to fully repay the loan in fiscal 2021: | \$ -        | \$ 1,077,831        |
| <b>Promissory note</b>   |             |                     |
| The promissory note was advanced by a former director of the organization. The note bears no interest and was repaid during the year.  | -           | 40,000              |
|  | <b>\$ -</b> | <b>\$ 1,117,831</b> |

The organization repaid the Vendor take-back loan with funds raised in two campaigns; The Sale of Community Bonds to raise \$1.4 million (Note 8) and a philanthropic capital campaign raise of \$1.52 million (Note 5).

### 7. Mortgage payable

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| The mortgage is with Alterna Savings. The interest rate is calculated at 4.45% per annum with blended monthly payments of \$6,058 The mortgage term is 60 months and matures on December 31, 2024. |                     |                     |
| The advance on the mortgage is:  | \$ 1,049,549        | \$ 1,075,331        |
| Principal due within one year  | 26,963              | 25,803              |
|  | <b>\$ 1,022,586</b> | <b>\$ 1,049,528</b> |

Principal repayments until maturity are estimated as follows:

|      |                     |
|------|---------------------|
| 2022 | \$ 26,963           |
| 2023 | 28,177              |
| 2024 | 994,409             |
|      | <b>\$ 1,049,549</b> |

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

### 8. Charitable bonds payable

At December 31, 2021 the organization had \$1,400,000 (2020 - \$818,500) of charitable bonds outstanding. The classes of bonds are outlined below and mature at various dates ranging from February 14, 2023 to December 4, 2027. Interest accrues at the outlined specified rates per year, calculated annually in arrears. Interest is paid on or before the 31st day of December each year. The principal repayment may be prepaid by Sketch Working Arts at its option, in whole or in part, at any time, without penalty, but including interest accrued to the date of prepayment. The bonds are non-redeemable by the bond holder during the term, except in extraordinary circumstances and with the approval of the board of directors of Sketch Working Arts. The bonds are secured by charges in favour of the Trustee (Tapestry Community Capital) for the benefit of all investors who are holders of these bonds, on the Building Units and equipment held by Sketch Working Arts.

|   | 2021                | 2020              |
|---|---------------------|-------------------|
| Series A SWA Home Bonds - 4% on 5 year term   | \$ 370,000          | \$ 300,000        |
| Series B SWA Home Bonds - 4.5% on 7 year term | 228,500             | 35,000            |
| Series C SWA Home Bonds - 4% on 5 year term   | 705,000             | 415,000           |
| Series D SWA Home Bonds - 3% on 3 year term   | 96,500              | 68,500            |
|   | <b>\$ 1,400,000</b> | <b>\$ 818,500</b> |

The aggregate future maturities of the charitable bonds are as follows:

|      |                     |
|------|---------------------|
| 2023 | \$ 68,500           |
| 2024 | 28,000              |
| 2025 | 715,000             |
| 2026 | 360,000             |
| 2027 | 35,000              |
| 2028 | 193,500             |
|      | <b>\$ 1,400,000</b> |

Bond interest expense in 2021 totaled \$53,559 (2020 - \$10,101).

### 9. Ontario Arts Council funding

Funding received from the Ontario Arts Council for the support programs operated by the organization are as follows:

|                            | 2021              | 2020              |
|----------------------------|-------------------|-------------------|
| Multi-year operating grant | \$ 101,663        | \$ 101,663        |
| Project grants             | 18,037            | 18,583            |
| Arts recovery              | 108,438           | -                 |
|                            | <b>\$ 228,138</b> | <b>\$ 120,246</b> |

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

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### 10. Toronto Arts Council funding

Funding received from the Toronto Arts Council for the support programs operated by the organization are as follows:

|                             | 2021              | 2020              |
|-----------------------------|-------------------|-------------------|
| <b>Annual Operating</b>     |                   |                   |
| Annual Operating Grant      | \$ 110,000        | \$ 110,000        |
| <b>Youth Project Grants</b> |                   |                   |
| It's All Queer Pride        | 4,206             | 6,290             |
| Open Door Project           | 43,158            | 19,500            |
| DigiZine                    | 13,933            | -                 |
| Melodies & Colour           | 12,987            | -                 |
| RPIS                        | 14,836            | -                 |
| ArtReach Toronto            | 26,246            | 63,392            |
|                             | <b>\$ 225,366</b> | <b>\$ 199,182</b> |

### 11. Donations-in-kind

Tax receipts have been provided for donations in kind which have been valued at cost or fair market value and they have been allocated to the following expense categories.

|                             | 2021 | 2020     |
|-----------------------------|------|----------|
| Materials and program costs | \$ - | \$ 6,775 |

### 12. Financial instruments risk exposure

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to accounts receivable, however the risk is limited due to the nature of its accounts receivable. Contributions are not recorded in receivables unless collection is reasonably assured. The organization has not had issues with these collections over the past several years. The allowance for doubtful accounts is \$Nil (2020 - \$Nil)

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2021

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### 12. Financial instruments risk exposure (continued)

#### **Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable, charitable bonds payable, loans payable and mortgage payable (Notes 6, 7 and 8). The organization expects to meet these obligations as they come due through sufficient cash flow from operations. The organization has not had issues with meeting obligations in the past several years.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### *Interest rate risk*

Interest rate risk is the risk that the future value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is subject to interest rate risk with respect to its line of credit, loans payable and mortgage payable as described in Notes 2, 6 and 7. Specifically, the organization is exposed to fair value risk due to changes in market rates of interest at the time of interest calculation.

### 13. Covid-19

On March 11, 2020, the World Health Organization declared Covid-19 a global pandemic. On March 17, 2020, the Province of Ontario invoked the Emergency Management and Civil Protection Act. The full impact of the Covid-19 outbreak continues to evolve at the date of this report. An estimate of the financial effect on the organization cannot be made at this time. Management has proactively taken steps to continue delivery of programs and services during the pandemic ensuring the safety of all staff and participants.

### 14. Government assistance related to Covid-19

The organization has applied for and received Government assistance related to the Covid-19 pandemic under the Canada Emergency Wage Subsidy (CEWS) program, as well as the Canada Emergency Rent Subsidy (CERS) program. The CEWS program provides varying wage subsidy rates based on government outlined subsidy periods commencing March 15, 2020. Similarly the CERS program provided a subsidy to cover part of the organizations property insurance and mortgage interest, commencing September 27, 2020. The company has applied for all subsidies eligible during the fiscal year. For the fiscal year ended December 31, 2021, the company claimed \$155,054 (2020 - \$588,795) in subsidies under the CEWS program and \$Nil (2020 - \$12,500) in subsidies under the CERS program, both of which are recognized in the statement of operations under government subsidies.

# **Sketch Working Arts for Street Involved and Homeless Youth**

## **Notes to Financial Statements**

**December 31, 2021**

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### **14. Government assistance related to Covid-19 (continued)**

In the prior year the organization also received a loan of \$40,000 under the Canada Emergency Business Account (CEBA) program. The loan is non interest bearing with no principal payments required and if repaid before December 31, 2023 will result in a loan forgiveness of 25% (up to \$10,000). The loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2024.

### **15. Restatement of 2020 financial results**

Subsequent to approval of the December 31, 2020 financial statements reported on March 25, 2021, it became apparent to management that funding received from the Canada Council for the Arts in the amount of \$59,300 must be recognized as revenue in the 2020 fiscal year. At the date of the report, management was given every indication that the amount could be deferred to the following fiscal year.

The addition of this funding in 2020 resulted in excess funds from operations from other funders resulting in deferred revenue of the same amount from other funders in fiscal 2020.

The restatements have no impact on the net income of the financial statements.

The changes to the source of funding affected revenue only as a reclassification between the source of revenue in the general fund. Government of Canada revenue in fiscal 2020 increased by \$59,300 and charitable foundation revenue decreased by \$59,300. There were no other changes.