

**Sketch**  
**Working Arts for Street Involved**  
**and Homeless Youth**  
**Financial Statements**  
**December 31, 2023**

## **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, 2023**, 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, 2023, 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, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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**  
**March 27, 2024**

**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 Fund	Capital Asset Fund	2023 Total	2022 Total
<b>Assets</b>				
<b>Current</b>				
Cash (Note 2)	\$ 356,294	\$ -	\$ 356,294	\$ 569,470
Accounts receivable	18,685	-	18,685	214,362
Sales taxes receivable	9,940	-	9,940	55,453
Prepaid expenses	9,981	-	9,981	8,187
	394,900	-	394,900	847,472
<b>Capital assets (Note 3)</b>	-	3,965,285	3,965,285	4,067,173
	<b>\$ 394,900</b>	<b>\$ 3,965,285</b>	<b>\$ 4,360,185</b>	<b>\$ 4,914,645</b>
<b>Liabilities</b>				
<b>Current</b>				
CEBA Loan (Note 11)	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Accounts payable and accruals	204,953	-	204,953	161,170
Deferred contributions (Note 4)	1,071,236	-	1,071,236	1,118,878
Deferred capital contributions (Note 5)	-	1,422,018	1,422,018	1,443,499
Current portion of long term debt (Note 6)	-	994,409	994,409	28,177
	1,316,189	2,416,427	3,732,616	2,791,724
<b>Charitable bonds payable (Note 7)</b>	-	1,331,500	1,331,500	1,400,000
<b>Mortgage payable (Note 6)</b>	-	-	-	994,409
	1,316,189	3,747,927	5,064,116	5,186,133
<b>Net Assets</b>				
<b>Net assets invested in capital assets</b>	-	217,358	217,358	201,088
<b>Unrestricted net assets</b>	(921,289)	-	(921,289)	(472,576)
	(921,289)	217,358	(703,931)	(271,488)
	<b>\$ 394,900</b>	<b>\$ 3,965,285</b>	<b>\$ 4,360,185</b>	<b>\$ 4,914,645</b>

See accompanying notes to financial statements

On behalf of the Board:



Director

Natassia Morris, Board President



Director

Olivia Coombe, Board Vice-Chair

## Sketch Working Arts for Street Involved and Homeless Youth

### Statement of Operations Year Ended December 31

	General Fund		Capital Asset Fund	
	2023	2022	2023	2022
<b>Revenue</b>				
Government revenue				
Government of Canada	\$ 833,970	\$ 562,618	\$ -	\$ -
Ontario Trillium Foundation	163,823	270,134	-	-
Ontario Arts Council (Note 8)	103,605	142,247	-	-
Toronto Arts Council (Note 9)	289,198	298,361	-	-
City of Toronto	194,651	199,974	-	-
Government Subsidies (Note 11)	-	8,114	-	-
	1,585,247	1,481,448	-	-
Private sector revenue				
Charitable foundations	841,570	1,148,358	-	-
Corporate donations	200,686	271,971	-	-
Individual donations	194,115	239,523	-	-
Partnership agreements	172,987	131,428	-	-
Amortization of deferred capital contributions	-	-	41,481	40,253
	1,409,358	1,791,280	41,481	40,253
Earned and Other Revenue				
Workshops and presentations	23,774	4,331	-	-
Facilities rental	16,672	17,698	-	-
Recoveries and rebates	1,599	13,749	-	-
	42,045	35,778	-	-
	3,036,650	3,308,506	41,481	40,253
<b>Expenses</b>				
Personnel costs	1,809,177	1,878,479	-	-
Occupancy costs	161,670	174,474	-	-
Program and materials costs	846,855	888,890	-	-
Purchased services and consultants	279,891	344,996	-	-
Fundraising	1,984	1,622	-	-
Office and general	174,259	115,055	-	-
Promotion	28,081	8,149	-	-
Interest on long term debt	101,651	100,438	-	-
Amortization	-	-	107,006	113,717
	3,403,568	3,512,103	107,006	113,717
<b>Deficiency of revenue over expenses</b>	<b>\$ (366,918)</b>	<b>\$ (203,597)</b>	<b>\$ (65,525)</b>	<b>\$ (73,464)</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 capital assets (Note 3)	Unrestricted	2023 Total Net Assets	2022 Total Net Assets
<b>Balance, beginning of year</b>	\$ 201,088	\$ (472,576)	\$ (271,488)	\$ 5,573
<b>Deficiency of revenue over expenses</b>	(65,525)	(366,918)	(432,443)	(277,061)
<b>Transfer between funds</b>	81,795	(81,795)	-	-
<b>Balance, end of year</b>	<b>\$ 217,358</b>	<b>\$ (921,289)</b>	<b>\$ (703,931)</b>	<b>\$ (271,488)</b>

*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	
	2023	2022	2023	2022
<b>Operating activities</b>				
Deficiency of revenue over expenses	\$ (366,918)	\$ (203,597)	\$ (65,525)	\$ (73,464)
Items not requiring an outlay of cash				
Amortization of deferred capital contributions	-	-	(41,481)	(40,253)
Amortization	-	-	107,006	113,717
	(366,918)	(203,597)	-	-
Net change in working capital items				
Operating working capital				
Account receivable	195,677	117,531	-	-
CEWS receivable	-	12,249	-	-
Sales taxes receivable	45,513	(8,250)	-	-
Prepaid expenses	(1,794)	25,975	-	-
Accounts payable	43,783	(29,414)	-	-
Deferred contributions	(47,642)	127,939	-	-
Current portion of long term debt	966,232	1,214	-	-
<b>Increase from operating</b>	834,851	43,647	-	-
<b>Investing activity</b>				
Purchase of capital assets	(5,118)	-	-	-
<b>Decrease from investing</b>	(5,118)	-	-	-
<b>Financing activity</b>				
Increase in deferred capital	20,000	30,025	-	-
Decrease in charitable bonds payable	(68,500)	-	-	-
Decrease in mortgage payable	(994,409)	(28,177)	-	-
<b>(Decrease) increase from financing</b>	(1,042,909)	1,848	-	-
<b>(Decrease) increase in cash</b>	(213,176)	45,495	-	-
<b>Cash, beginning of year</b>	569,470	523,975	-	-
<b>Cash, end of year</b>	\$ 356,294	\$ 569,470	\$ -	\$ -

*See accompanying notes to financial statements*

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements December 31, 2023

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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, 2023

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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 received 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, 2023

### 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:

	2023	2022
Deposits with banks	\$ 355,190	\$ 567,813
Cash on hand	1,928	1,659
Line of credit	(824)	(2)
	<b>\$ 356,294</b>	<b>\$ 569,470</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

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 361,639	\$ -	\$ 361,639	\$ 361,639
Building	3,254,749	325,475	2,929,274	3,010,643
Building improvements	1,503,830	834,065	669,765	688,370
Furniture	222,780	222,780	-	917
Equipment	176,952	172,345	4,607	1,403
Audio Video Equipment	13,400	13,400	-	1,064
Computer	141,038	141,038	-	3,137
	<b>\$ 5,674,388</b>	<b>\$ 1,709,103</b>	<b>\$ 3,965,285</b>	<b>\$ 4,067,173</b>

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements December 31, 2023

### 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.

	2023	2022
Balance, beginning of period	\$ 1,118,878	\$ 990,939
Add: Donations/Grants received/receivable during the year	2,903,223	3,436,443
Less: Amounts recorded as revenue in the year	2,950,865	3,308,504
<b>Balance, end of period</b>	<b>\$ 1,071,236</b>	<b>\$ 1,118,878</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:

	2023	2022
Balance, beginning of year	\$ 1,443,499	\$ 1,453,727
Capital grants and donations received during the year	20,000	30,025
Amortization of deferred capital contributions	(41,481)	(40,253)
<b>Balance, end of year</b>	<b>\$ 1,422,018</b>	<b>\$ 1,443,499</b>

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.

### 6. Mortgage payable

	2023	2022
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:	\$ 994,409	\$ 1,022,586
Principal due within one year	994,409	28,177
	<b>\$ -</b>	<b>\$ 994,409</b>

## Sketch Working Arts for Street Involved and Homeless Youth

### Notes to Financial Statements December 31, 2023

#### 7. Charitable bonds payable

At December 31, 2023, the organization had \$1,331,500 (2022 - \$1,400,000) of charitable bonds outstanding. The classes of bonds are outlined below and mature at various dates ranging from January 8, 2024 to March 15, 2028. 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.

	2023	2022
Series A SWA Home Bonds - 4% on 5 year term	\$ 370,000	\$ 370,000
Series B SWA Home Bonds - 4.5% on 7 year term	228,500	228,500
Series C SWA Home Bonds - 4% on 5 year term	705,000	705,000
Series D SWA Home Bonds - 3% on 3 year term	28,000	96,500
	<b>\$ 1,331,500</b>	<b>\$ 1,400,000</b>

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

2024	\$ 28,000
2025	715,000
2026	360,000
2027	35,000
2028	193,500
	<b>\$ 1,331,500</b>

Bond interest expense in 2023 totaled \$57,134 (2022 - \$54,708).

#### 8. Ontario Arts Council funding

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

	2023	2022
Multi-year operating grant	\$ 101,663	\$ 101,663
Project grants	1,942	40,584
	<b>\$ 103,605</b>	<b>\$ 142,247</b>

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements December 31, 2023

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### 9. Toronto Arts Council funding

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

	2023	2022
<b>Annual Operating</b>		
Annual Operating Grant	\$ 115,000	\$ 110,000
<b>Youth Project Grants</b>		
It's All Queer Pride	-	9,502
Open Door Project	49,323	101,064
DigiZine	-	817
ArtReach Toronto	124,875	76,978
	<b>\$ 289,198</b>	<b>\$ 298,361</b>

### 10. 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 (2022 - \$Nil)

#### 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.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements December 31, 2023

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

#### *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.

### 11. 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. The CEWS program provides varying wage subsidy rates based on government outlined subsidy periods commencing March 15, 2020. The organization applied for all subsidies eligible. For the fiscal year ended December 31, 2023, the company claimed \$Nil (2022 - \$8,114) in subsidies under the CEWS program, which are recognized in the statement of operations under government subsidies.

A loan of \$40,000 was received under the Canada Emergency Business Account (CEBA) program. The loan is a non interest bearing loan, with no principal payments, and if the company repays at least \$20,000 of the principal amount prior to January 18, 2024, the remaining \$20,000 of the principal amount will be forgiven. If the CEBA loan is not repaid in full by January 18, 2024 it will automatically be extended by 2 years until December 31, 2025. During the extension period, interest will be charged and will accrue on the outstanding amount at a fixed rate of 5% calculated daily and compounded monthly. The company fully repaid the \$20,000 principal amount subsequent to year end and prior to the repayment date. The forgivable amount of \$20,000 will be recognize in fiscal 2024 on the statement of operations.

### 12. Comparative Figures

Certain comparative figures for 2022 have been reclassified to conform with the presentation adopted for 2023.