

REGENT PARK SCHOOL OF MUSIC

Financial Statements

June 30, 2020

REGENT PARK SCHOOL OF MUSIC

Index to Financial Statements

Year Ended June 30, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of Regent Park School of Music

Opinion

We have audited the financial statements of Regent Park School of Music (the "School"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 School 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 School's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the School or to cease operations, or has no realistic alternative but to do so.

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

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.

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Independent Auditor's Report to the Members of Regent Park School of Music *(continued)*

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 School'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 School'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 School 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 18, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

REGENT PARK SCHOOL OF MUSIC

Statement of Financial Position

As at June 30, 2020

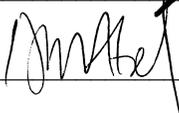
	2020	2019
ASSETS		
CURRENT		
Cash	\$ 217,016	\$ 146,292
Accounts receivable	-	3,076
Harmonized Sales Tax recoverable	24,906	26,161
Prepaid expenses and deposits	18,181	8,245
Due from Regent Park School of Music Foundation (Note 8)	50,702	16,885
	<u>310,805</u>	<u>200,659</u>
CAPITAL ASSETS (Note 3)	<u>11,189</u>	<u>8,404</u>
	<u>\$ 321,994</u>	<u>\$ 209,063</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 107,889	\$ 51,556
Deferred revenues (Note 5)	60,231	4,440
	<u>168,120</u>	<u>55,996</u>
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES (Note 6)	<u>846</u>	<u>1,209</u>
	<u>168,966</u>	<u>57,205</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	10,343	7,195
UNRESTRICTED	<u>142,685</u>	<u>144,663</u>
	<u>153,028</u>	<u>151,858</u>
	<u>\$ 321,994</u>	<u>\$ 209,063</u>

COMMITMENT (Note 10)

APPROVED ON BEHALF OF THE BOARD



Director



Director

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC
Statement of Operations and Changes in Net Assets
Year Ended June 30, 2020

	2020	2019
REVENUES		
Contributions from Regent Park School of Music Foundation <i>(Note 8)</i>	\$ 1,240,698	\$ 1,055,008
Government grants <i>(Note 7)</i>	248,024	218,564
Tuition fees and performances	51,858	99,641
Temporary Wage Subsidy <i>(Note 12)</i>	25,000	-
Donation and other	3,289	7,253
Amortization of deferred contributions for capital asset purchases <i>(Note 6)</i>	363	519
	<u>1,569,232</u>	<u>1,380,985</u>
EXPENSES		
Teacher and program administration salaries and benefits	1,403,491	1,210,266
Instrument, exam, recital and related program delivery	81,310	111,552
Occupancy, utilities and equipment <i>(Note 10)</i>	79,824	56,073
Amortization of capital assets	3,437	2,061
	<u>1,568,062</u>	<u>1,379,952</u>
EXCESS OF REVENUES OVER EXPENSES	1,170	1,033
NET ASSETS - BEGINNING OF YEAR	<u>151,858</u>	<u>150,825</u>
NET ASSETS - END OF YEAR	<u>\$ 153,028</u>	<u>\$ 151,858</u>

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC

Statement of Cash Flows

Year Ended June 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,170	\$ 1,033
Add (deduct) items not affecting cash:		
Amortization of capital assets	3,437	2,061
Amortization of deferred contributions for capital asset purchases	(363)	(519)
	<u>4,244</u>	<u>2,575</u>
Changes in non-cash working capital:		
Accounts receivable	3,076	11,068
Harmonized Sales Tax recoverable	1,255	(7,564)
Prepaid expenses and deposits	(9,936)	(3,314)
Due from Regent Park School of Music Foundation	(33,817)	19,869
Accounts payable and accrued liabilities	56,333	3,738
Deferred revenues	55,791	400
	<u>72,702</u>	<u>24,197</u>
Cash flows from operating activities	<u>76,946</u>	<u>26,772</u>
INVESTING ACTIVITY		
Purchase of capital assets	(6,222)	(4,785)
INCREASE IN CASH	70,724	21,987
CASH - BEGINNING OF YEAR	146,292	124,305
CASH - END OF YEAR	\$ 217,016	\$ 146,292

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

Year Ended June 30, 2020

1. ORGANIZATION AND OPERATIONS

Regent Park School of Music ("School") is a not-for-profit organization incorporated without share capital on March 19, 1999 under the Canada Corporations Act. The School was continued under the Canada Not-for-Profit Corporations Act in October 2014.

The objectives of the School are to help Toronto youth, facing financial and other barriers, to thrive through high quality music education.

The School is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes, provided certain disbursement and other requirements are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Revenue recognition

The School follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions explicitly and implicitly restricted by the donor, including government grants, are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Contributions received for the purchase of capital assets with a finite life are initially deferred and then amortized as revenues on the same basis as the related capital assets are amortized.

Tuition fees and other performance-related revenues are recognized when received or receivable upon substantial completion of the performance or program, provided that the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated materials and services not normally purchased by the School are not recorded in the accounts.

Financial instruments

The School initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, accounts receivable and due from Regent Park School of Music Foundation. The financial liability subsequently measured at amortized cost includes accounts payable.

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REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided annually at rates determined to charge the cost of the assets to operations over their estimated useful lives as follows:

Musical instruments	30%	declining balance method
Computer equipment	30%	declining balance method
Furniture and equipment	20%	declining balance method

Amortization in the year of addition and disposition is provided at one-half of the normal annual rates.

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 the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Estimates exist with respect to the useful life of capital assets for amortization purposes.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Musical instruments	\$ 136,982	\$ 131,753	\$ 5,229	\$ 3,590
Computer equipment	16,792	10,977	5,815	4,632
Furniture and equipment	769	624	145	182
	<u>\$ 154,543</u>	<u>\$ 143,354</u>	<u>\$ 11,189</u>	<u>\$ 8,404</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2020 includes \$11,431 (2019 - \$8,202) in government remittances payable.

5. DEFERRED REVENUES

The continuity of deferred revenues is as follows:

	2020	2019
Balance, beginning of year	\$ 4,440	\$ 4,040
Add: amounts received during the year	60,231	4,440
Less: amounts recognized as revenues during the year	(4,440)	(4,040)
Balance, end of year	<u>\$ 60,231</u>	<u>\$ 4,440</u>

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REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

Year Ended June 30, 2020

5. DEFERRED REVENUES (continued)

	<u>2020</u>	<u>2019</u>
At June 30, deferred revenues consists of the following:		
Ontario Arts Council - operating grant*	\$ 30,231	\$ -
Toronto Arts Council - operating grant*	30,000	-
Tuition fees	-	4,440
	<u>\$ 60,231</u>	<u>\$ 4,440</u>

*Operating grants designated for fiscal 2021 released in advance by the Councils due to Covid 19.

6. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

Capital asset contributions are deferred and amortized to revenues on the same basis as the related capital asset is amortized. Details of deferred capital asset contributions activity during the year are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,209	\$ 1,728
Less: amounts recognized as revenues during the year	(363)	(519)
Balance, end of year	<u>\$ 846</u>	<u>\$ 1,209</u>

7. GOVERNMENT GRANTS

Government grants revenues consist of:

	<u>2020</u>	<u>2019</u>
Canada Council for the Arts - operating grant	\$ 100,000	\$ 100,000
Employment and Social Development Canada - Summer jobs grant	57,562	31,564
Ontario Arts Council - operating grant	60,462	62,000
Toronto Arts Council - operating grant	30,000	25,000
	<u>\$ 248,024</u>	<u>\$ 218,564</u>

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

Year Ended June 30, 2020

8. REGENT PARK SCHOOL OF MUSIC FOUNDATION

On August 26, 2003, the Board of Directors of the School incorporated the Regent Park School of Music Foundation ("Foundation") to conduct certain fundraising activities and programs. In 2014, the Foundation commenced taking on substantially all fundraising efforts, including the annual fundraiser, CRESCENDO.

The Foundation raises funds to cover most of the operating expenses of the School, in addition to funds for scholarships, long-term capital and other projects, and to ensure the long-term viability of the School.

Contributions from the Foundation are measured at the exchange amount in the normal course of operations and are approved by their respective Boards of Directors.

The School is dependent on regular contributions from the Regent Park School of Music Foundation to fund its operations.

9. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and deposits in accounts held with a major Canadian financial institution. Cash balances are sufficient to meet accounts payable and other financial liabilities as they come due.

Accounts receivable are regularly monitored to minimize and mitigate the credit risk of uncollected amounts.

It is management's opinion that the School is not exposed to significant market, credit or liquidity risks arising from its financial instruments.

10. COMMITMENT

The School has entered into a sub-lease agreement for premises ending December 31, 2023. The future minimum lease payments are as follows:

2021	\$	60,000
2022		60,000
2023		60,000
2024		30,000
		<hr/>
	\$	<u>210,000</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

Year Ended June 30, 2020

12. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the School in future periods. The School continues to closely monitor and assess the impact on operations.

As part of the response to COVID19, the federal government introduced the 10% Temporary Wage Subsidy to assist employers whose activities have been affected by COVID19. For the period of March 16 to June 15, 2020, the School applied for and received the 10% Temporary Wage Subsidy in the amount of \$25,000.
