

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Financial Statements

June 30, 2022

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION

(Formerly Regent Park School of Music Foundation)

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Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Music Schools of Toronto Foundation (formerly Regent Park School of Music Foundation)

Opinion

We have audited the financial statements of Community Music Schools of Toronto Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2022, and the statements of changes in net assets, operations 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 Foundation as at June 30, 2022, 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 Foundation 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Community Music Schools of Toronto Foundation (formerly Regent Park School of Music Foundation) *(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 this financial information.

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 Foundation'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 Foundation'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 Foundation 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
December 7, 2022

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

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Statement of Financial Position

As at June 30, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 629,446	\$ 2,987,350
Contribution receivable	15,000	-
Harmonized Sales Tax recoverable	4,343	6,702
Prepaid expenses	4,646	3,708
Investments <i>(Notes 6, 9 and 10)</i>	10,114,610	4,123,229
Due from Community Music Schools of Toronto <i>(Note 5)</i>	58,508	277,559
	10,826,553	7,398,548
CAPITAL ASSETS <i>(Note 4)</i>	3,335	-
	\$ 10,829,888	\$ 7,398,548
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 26,062	\$ 8,878
Deferred revenues <i>(Note 7)</i>	729,782	885,313
	755,844	894,191
DEFERRED CONTRIBUTIONS FOR CAPITAL PROJECTS <i>(Note 8)</i>	6,052,805	2,024,223
	6,808,649	2,918,414
NET ASSETS		
UNRESTRICTED	301,413	719,301
INTERNALLY RESTRICTED <i>(Note 9)</i>	3,397,950	3,451,442
ENDOWMENT <i>(Note 10)</i>	318,541	309,391
INVESTED IN CAPITAL ASSETS	3,335	-
	4,021,239	4,480,134
	\$ 10,829,888	\$ 7,398,548

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)
Statement of Changes in Net Assets
Year Ended June 30, 2022

	Unrestricted	Internally Restricted	Endowment	Invested in Capital Assets	2022	2021
BALANCE - BEGINNING OF YEAR	\$ 719,301	\$ 3,451,442	\$ 309,391	\$ -	\$ 4,480,134	\$ 3,204,418
Excess (deficiency) of revenues over expenses <i>(Note 9)</i>	(420,403)	(53,492)	-	-	(473,895)	1,275,716
Contribution receivable	-	-	15,000	-	15,000	-
Transfers <i>(Note 9)</i>	5,850	-	(5,850)	-	-	-
Acquisition of capital assets, net of amortization	(3,335)	-	-	3,335	-	-
BALANCE - END OF YEAR	\$ 301,413	\$ 3,397,950	\$ 318,541	\$ 3,335	\$ 4,021,239	\$ 4,480,134

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Statement of Operations
Year Ended June 30, 2022

	2022	2021
REVENUES		
Donations and fundraising <i>(Note 5)</i>	\$ 2,164,070	\$ 1,747,618
Investment income <i>(Note 6)</i>	-	124,264
	<u>2,164,070</u>	<u>1,871,882</u>
EXPENSES		
Contributions to Community Music Schools of Toronto <i>(Note 5)</i>	1,331,148	165,938
Investment loss <i>(Note 6)</i>	832,315	-
Salaries, benefits and fees	329,053	303,005
Fundraising	76,644	48,761
Capital expansion planning costs <i>(Note 9)</i>	53,492	65,558
Professional fees	9,335	7,118
Office and general	5,389	5,786
Amortization	589	-
	<u>2,637,965</u>	<u>596,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (473,895)</u>	<u>\$ 1,275,716</u>

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Statement of Cash Flows
Year Ended June 30, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (473,895)	\$ 1,275,716
Add item not affecting cash:		
Amortization of capital assets	589	-
	<u>(473,306)</u>	<u>1,275,716</u>
Changes in non-cash working capital:		
Harmonized Sales Tax recoverable	2,359	(1,970)
Prepaid expenses	(938)	(3,708)
Due from (to) Community Music Schools of Toronto	219,051	(328,261)
Accounts payable and accrued liabilities	17,184	5,190
Deferred revenues	(155,531)	139,281
	<u>82,125</u>	<u>(189,468)</u>
Cash flows from (used by) operating activities	<u>(391,181)</u>	<u>1,086,248</u>
INVESTING ACTIVITIES		
Increase in investments, net	(5,991,381)	(532,675)
Purchase of capital asset	(3,924)	-
Deferred contributions for capital projects	4,028,582	2,024,223
Cash flow from (used by) investing activities	<u>(1,966,723)</u>	<u>1,491,548</u>
INCREASE (DECREASE) IN CASH	(2,357,904)	2,577,796
CASH - BEGINNING OF YEAR	2,987,350	409,554
CASH - END OF YEAR	\$ 629,446	\$ 2,987,350

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Notes to Financial Statements
Year Ended June 30, 2022

1. ORGANIZATION AND OPERATIONS

Community Music Schools of Toronto Foundation (the "Foundation") is a not-for-profit organization incorporated without share capital on August 26, 2003 under the Canada Corporations Act. It commenced operations on March 31, 2005. The Foundation was continued under the Canada Not-for-Profit Corporations Act on October 7, 2014. In fiscal 2022, the Foundation changed its name to Community Music Schools of Toronto Foundation.

The objectives of the Foundation are to support Community Music Schools of Toronto's (the "Organization") current and future needs by fundraising and responsibly growing our investments.

The objectives of the Organization are to help Toronto youth, facing financial and other barriers, to thrive through high quality music education (*Note 5*).

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 Foundation 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 donations and fundraising, are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Contributions to endowment funds are recorded as direct increases in net assets of the endowment funds.

Contributions for capital projects are deferred when received and recognized as revenues over the estimated useful life of the capital assets, commencing when the specific asset is ready for use.

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

Interest, dividends, unit trust distributions and realized and unrealized gains and losses on investments during the year are reported in the statement of operations as investment income or loss.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, contributions receivable, and due from Community Music Schools of Toronto. The financial liabilities subsequently measured at amortized cost include accounts payable. Investments are subsequently measured at fair value based on broker's quotes (*Note 6*).

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COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
(Formerly Regent Park School of Music Foundation)

Notes to Financial Statements
Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial instruments

Financial assets, measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal, had the impairment loss not been recognized previously. The amount of any write down or reversal is recognized in excess (deficiency) of revenues over expenses.

Capital assets

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:

Computer equipment	30%	declining balance method
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Amortization in the year of addition and disposition is provided at one-half of the normal annual rates.

Impairment of long-lived assets

Long-lived assets, comprising of capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to revenues less expenses for the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

Use of estimates

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. Such estimates are periodically reviewed and adjustments are reported in excess (deficiency) of revenues over expenses in the year they become known. Such estimates include determining the useful lives of capital assets, and year-end accrued liabilities. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

It is management's opinion that the Foundation is not exposed to significant liquidity risk arising from its financial instruments.

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

The Foundation is exposed to interest rate, currency, credit and other price risks, arising from its investments. The Foundation mitigates these risks with an investment policy that requires regular monitoring of performance, with a view to balancing 'reasonable investor' objectives with the needs and directions of the Foundation, while considering the short and long term expectations of the Organization and donors, all within the context of complying with applicable fiscal requirements.

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
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Notes to Financial Statements
Year Ended June 30, 2022

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	\$ 3,924	\$ 589	\$ 3,335	\$ -

5. RELATIONSHIP WITH COMMUNITY MUSIC SCHOOLS OF TORONTO

On August 26, 2003, the Board of Directors of the Community Music Schools of Toronto (the "Organization") incorporated the 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 Organization, in addition to funds for scholarships, long-term capital and other projects, and to ensure the long-term viability of the Organization.

Contributions to the Organization are measured at the exchange amount agreed between the two organizations and are approved by their respective Boards of Directors.

6. INVESTMENTS

Investments are stated at fair value based on market prices and consist of the following at June 30:

	2022	2021
Equities	\$ 3,264,897	\$ 2,138,104
Fixed income	1,615,083	1,564,587
Cash and cash equivalents	5,080,024	256,806
Preferred equities	154,606	163,732
	\$ 10,114,610	\$ 4,123,229

The Foundation holds investments in exchange traded and other mutual funds that in turn hold underlying investments in equities, balanced and fixed income securities and precious metals. The Foundation's investment objective is to manage investment assets to generate total returns consistent with the Foundation's objectives and within its defined investment risk tolerance, to protect purchasing power of capital and establish a reserve for future market declines. Investment income during the year is detailed as follows:

	2022	2021
Interest, dividends, and other distributions	\$ 111,778	\$ 44,843
Increase (decrease) in fair value	(944,093)	79,421
	\$ (832,315)	\$ 124,264

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION
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Notes to Financial Statements
Year Ended June 30, 2022

7. DEFERRED REVENUES

The continuity of deferred revenues is as follows:

	2022	2021
Balance - beginning of year	\$ 885,313	\$ 746,032
Add: amounts received during the year	685,334	970,365
Less: amounts recognized as revenues during the year	(840,865)	(831,084)
Balance - end of year	\$ 729,782	\$ 885,313

At June 30, the deferred revenues consists of the following:

Donations for subsequent year programming	\$ 685,334	\$ 835,365
John Adams/Grant Thornton Fund	26,260	30,760
The Dr. Gerald Cohen Woodwinds Scholarship Fund	18,188	19,188
	\$ 729,782	\$ 885,313

8. DEFERRED REVENUES FOR CAPITAL PROJECTS

At June 30, deferred revenues for capital projects consists of donations for the Jane & Finch capital expansion project.

The continuity of deferred revenues for capital projects is as follows:

	2022	2021
Balance - beginning of year	\$ 2,024,223	\$ -
Add: amounts received during the year	4,028,582	2,024,223
Less: amounts recognized as revenues during the year	-	-
Balance - end of year	\$ 6,052,805	\$ 2,024,223

The balance of these funds are included in cash and investments as at June 30, 2022.

COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION

(Formerly Regent Park School of Music Foundation)

Notes to Financial Statements

Year Ended June 30, 2022

9. INTERNALLY RESTRICTED NET ASSETS

In 2014, the Board of Directors established an internally restricted Strategic Initiatives Fund, to be used to advance the priorities and goals expressed in the Foundation's and the Organization's Strategic Plans, to strengthen existing music programs and support new projects and expansion into new areas. The balance of this internally restricted fund is determined by the Board on an annual basis, based on the current strategic initiatives. During fiscal 2022, capital planning costs of \$53,492 (2021 - \$65,558) were incurred with respect to the Jane Finch capital expansion project.

In 2020, the Board of Directors established a second internally restricted fund, the Operating Reserve Fund. This Fund's level is based on the equivalent of 12 months' annual operating costs and will ensure that funds continue to be available to support operations of the Foundation and the Organization during the uncertain economic times. The level of the reserve is reviewed by the Board of Directors on an annual basis.

The balance of both the internally restricted funds are supported by investments.

In 2022, the Board approved a transfer of \$Nil from unrestricted net assets to internally restricted net assets (2021 - \$700,000). The Board also approved a transfer of \$5,850 (2021 - \$5,850) from The Bryant Darville Bursary Fund, to unrestricted net assets.

10. ENDOWMENT NET ASSETS

The endowment net assets are subject to externally imposed restrictions stipulating that the donated capital be maintained for a minimum period of time. Investment income earned on the donated capital is unrestricted and is recognized as investment income on the statement of operations.

The cumulative balance of donated capital is \$318,541 (2021 - \$309,391) and is supported by investments.

11. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") 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. It is the opinion of management that the Foundation will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2023 as a result of ongoing COVID-19 implications.
