

COMMUNITY MUSIC SCHOOLS OF TORONTO

Financial Statements

June 30, 2023

COMMUNITY MUSIC SCHOOLS OF TORONTO

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Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Community Music Schools of Toronto

Opinion

We have audited the financial statements of Community Music Schools of Toronto (the "Organization"), which comprise the statement of financial position as at June 30, 2023, 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 Organization as at June 30, 2023, 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 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 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.

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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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 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 15, 2023

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

COMMUNITY MUSIC SCHOOLS OF TORONTO

Statement of Financial Position

As at June 30, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 437,251	\$ 73,494
Accounts receivable	6,517	675
Government assistance receivable	-	218,604
Harmonized Sales Tax recoverable	19,943	19,763
Prepaid expenses and deposits	21,365	40,980
	<u>485,076</u>	353,516
CAPITAL ASSETS (Note 4)	<u>40,555</u>	49,471
	<u>\$ 525,631</u>	\$ 402,987
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 171,217	\$ 111,992
Deferred revenues (Note 6)	53,900	77,000
Due to Community Music Schools of Toronto Foundation (Note 7)	144,283	58,508
	<u>369,400</u>	247,500
NET ASSETS		
INVESTED IN CAPITAL ASSETS	40,555	49,471
UNRESTRICTED	<u>115,676</u>	106,016
	<u>156,231</u>	155,487
	<u>\$ 525,631</u>	\$ 402,987
COMMITMENT (Note 8)		

APPROVED ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO
Statement of Operations and Changes in Net Assets
Year Ended June 30, 2023

	2023	2022
REVENUES		
Contributions from Community Music Schools of Toronto		
Foundation (<i>Note 7</i>)	\$ 2,026,215	\$ 1,331,148
Government grants (<i>Note 9</i>)	186,614	93,639
Donations and other	13,390	909
Performance fees and other	4,041	-
Government assistance:		
Hardest-Hit Business Recovery Program	-	266,098
Canada Emergency Wage Subsidy	-	113,193
Canada Emergency Rent Subsidy	-	6,842
	<u>2,230,260</u>	<u>1,811,829</u>
EXPENSES		
Teacher and program administration salaries and benefits	1,835,964	1,651,257
Occupancy, utilities and equipment (<i>Note 8</i>)	140,762	83,383
Instrument, exam, recital and related program delivery	120,685	63,823
Salaries and wages - development	117,606	-
Amortization of capital assets	14,499	12,305
	<u>2,229,516</u>	<u>1,810,768</u>
EXCESS OF REVENUES OVER EXPENSES	744	1,061
NET ASSETS - BEGINNING OF YEAR	<u>155,487</u>	<u>154,426</u>
NET ASSETS - END OF YEAR	<u>\$ 156,231</u>	<u>\$ 155,487</u>

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO**Statement of Cash Flows
Year Ended June 30, 2023**

	2023	2022
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 744	\$ 1,061
Add items not affecting cash:		
Amortization of capital assets	<u>14,499</u>	12,305
	<u>15,243</u>	13,366
Changes in non-cash working capital:		
Accounts receivable	(5,842)	(675)
Government assistance receivable	218,604	(153,556)
Harmonized Sales Tax recoverable	(180)	(3,699)
Prepaid expenses and deposits	19,615	(22,878)
Accounts payable and accrued liabilities	59,225	33,399
Deferred revenues	(23,100)	62,000
Due to Community Music Schools of Toronto Foundation	<u>85,775</u>	(219,051)
	<u>354,097</u>	(304,460)
Cash flows from (used by) operating activities	<u>369,340</u>	(291,094)
INVESTING ACTIVITY		
Purchase of capital assets	<u>(5,583)</u>	(39,185)
INCREASE (DECREASE) IN CASH	363,757	(330,279)
CASH - BEGINNING OF YEAR	<u>73,494</u>	403,773
CASH - END OF YEAR	<u>\$ 437,251</u>	\$ 73,494

See the accompanying notes to these financial statements

COMMUNITY MUSIC SCHOOLS OF TORONTO

Notes to Financial Statements

Year Ended June 30, 2023

1. ORGANIZATION AND OPERATIONS

Community Music Schools of Toronto (the “Organization”) is a not-for-profit organization incorporated without share capital on March 19, 1999 under the Canada Corporations Act. The Organization was continued under the Canada Not-for-Profit Corporations Act in October 2014. In fiscal 2022, the Organization changed its name to Community Music Schools of Toronto.

The objective of the Organization is to help Toronto youth, facing financial and other barriers, to thrive through high quality music education.

The Organization 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 Organization 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. This includes contributions from Community Music Schools of Toronto Foundation.

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

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

Financial instruments

The Organization 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 and accounts receivable. The financial liability subsequently measured at amortized cost includes accounts payable.

Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. Impairment is measured as the excess of the carrying value over the estimated recoverable amount. 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 of revenues over expenses.

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COMMUNITY MUSIC SCHOOLS OF TORONTO

Notes to Financial Statements

Year Ended June 30, 2023

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:

Computer equipment	30%	declining balance method
Musical instruments	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.

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 current replacement cost ("fair value"). 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. Any impairment results in a write-down of the asset and a charge to excess of revenues over 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 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 Organization is not exposed to significant market, credit or liquidity risks arising from its 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.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 62,986	\$ 35,059	\$ 27,927	\$ 38,017
Musical instruments	145,173	138,515	6,658	8,027
Furniture and equipment	8,316	2,346	5,970	3,427
	<u>\$ 216,475</u>	<u>\$ 175,920</u>	<u>\$ 40,555</u>	<u>\$ 49,471</u>

COMMUNITY MUSIC SCHOOLS OF TORONTO

Notes to Financial Statements

Year Ended June 30, 2023

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023 includes \$25,387 (2022 - \$6,324) in government remittances payable.

6. DEFERRED REVENUES

At June 30, deferred revenues consists of the following:

	2023	2022
Canada Council for the Arts - project grant	\$ 23,900	\$ 47,000
Toronto Arts Council - operating grant	30,000	30,000
	\$ 53,900	\$ 77,000

The continuity of deferred revenues is as follows:

	2023	2022
Balance - beginning of year	\$ 77,000	\$ 15,000
Add: amounts received during the year	163,514	155,639
Less: amounts recognized as revenues during the year	(186,614)	(93,639)
Balance - end of year	\$ 53,900	\$ 77,000

7. COMMUNITY MUSIC SCHOOLS OF TORONTO FOUNDATION

On August 26, 2003, the Board of Directors of the Organization incorporated the Community Music Schools of Toronto Foundation ("Foundation") to conduct certain fundraising activities and programs. In 2014, the Foundation commenced taking on substantially all fundraising efforts.

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 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 Organization is dependent on regular contributions from the Community Music Schools of Toronto Foundation to fund its operations.

In addition to contributions throughout the year of operating funds from the Foundation, the Organization received various donations on behalf of the Foundation from unrelated parties. These donations as well as other amounts for short-term investment, including government grants and subsidies are transferred to the Foundation from time to time. As at the year-end, the Organization had a balance of \$144,283 (2022 - \$58,508) related to these amounts owing to the Foundation.

Effective January 1, 2023, the responsibilities for fundraising activities have been assumed by the Organization. As a result, the former employees of the Foundation are now employed by the School. Furthermore, the Foundation and the School are in the process of finalizing an updated operating agreement.

COMMUNITY MUSIC SCHOOLS OF TORONTO

Notes to Financial Statements

Year Ended June 30, 2023

8. COMMITMENT

The Organization has entered into a sub-lease agreement for premises ending December 31, 2023. The total future minimum lease payments are \$30,965.

9. GOVERNMENT GRANTS

Government grants revenues consist of:

	<u>2023</u>	<u>2022</u>
Employment and Social Development Canada - Summer jobs grant	\$ 37,926	\$ 15,177
Canada Council for the Arts - project grant	23,100	3,000
Ontario Arts Council - operating grant	72,462	60,462
Toronto Arts Council - operating grant	30,000	15,000
City of Toronto - property tax rebate	23,126	-
	<u>\$ 186,614</u>	<u>\$ 93,639</u>
