

REGENT PARK SCHOOL OF MUSIC

FINANCIAL STATEMENTS

JUNE 30, 2015

Independent Auditors' Report

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To the Directors of Regent Park School of Music

We have audited the accompanying financial statements of Regent Park School of Music, which comprise the balance sheet as at June 30, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

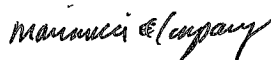
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide for a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Regent Park School of Music as at June 30, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto Ontario
December 3, 2015

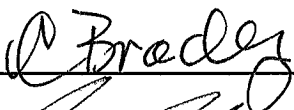
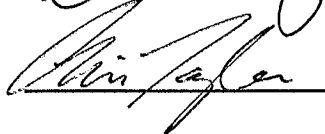

Chartered Accountants
Licensed Public Accountants

REGENT PARK SCHOOL OF MUSIC

Balance Sheet as at June 30, 2015

	2015	2014
ASSETS		
Current:		
Cash	\$ 150,824	\$ 161,946
Amounts receivable	28,227	15,068
Due from Regent Park School of Music Foundation (Note 6)	-	11,375
Prepaid expenses and deposits	<u>21,289</u>	<u>16,563</u>
	200,340	204,952
Capital assets, net (Note 4)	<u>10,462</u>	<u>14,866</u>
	<u>\$ 210,802</u>	<u>\$ 219,818</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 58,747	\$ 57,407
Deferred contributions	<u>8,660</u>	<u>24,786</u>
	67,407	82,193
Deferred contributions for capital asset purchases (Note 5)	<u>5,037</u>	<u>7,195</u>
	<u>72,444</u>	<u>89,388</u>
<i>Commitments (Note 8)</i>		
NET ASSETS		
Invested in capital assets	5,425	7,671
Unrestricted	<u>132,933</u>	<u>122,759</u>
	<u>138,358</u>	<u>130,430</u>
	<u>\$ 210,802</u>	<u>\$ 219,818</u>

Approved by the Board

 Director
 Director

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC

Statement of Operations and Changes in Net Assets

For the year ended June 30, 2015

	2015	2014
REVENUES		
Contributions (Note 6)	\$ -	\$ 251,523
Contributions from Regent Park School of Music Foundation (Note 6)	663,765	153,000
Events and honouraria (Note 6)	16,485	76,241
Tuition fees	104,576	63,016
Grants:		
Canada Council for the Arts	15,000	13,000
Toronto Arts Council	28,000	27,000
Amortization of deferred contributions for capital asset purchases (Note 5)	2,158	3,085
Other earned revenues	-	1,182
	<u>829,984</u>	<u>588,047</u>
EXPENSES		
Programming:		
Teacher and program administration salaries and benefits	558,256	415,308
Instrument, exam, recital and related program delivery (Note 4)	67,120	48,080
Occupancy, utilities and equipment (Notes 4 and 8)	60,186	57,474
Other program administration	57,886	21,335
	<u>743,448</u>	<u>542,197</u>
Fundraising (Note 6)	1,415	5,526
Other general and administration (Note 4)	77,193	72,245
	<u>822,056</u>	<u>619,968</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	7,928	(31,921)
NET ASSETS, beginning of year	<u>130,430</u>	<u>162,351</u>
NET ASSETS, end of year	<u>\$ 138,358</u>	<u>\$ 130,430</u>

See accompanying Notes to Financial Statements

Marinucci & Company

REGENT PARK SCHOOL OF MUSIC

Statement of Cash Flows

For the year ended June 30, 2015

	2015	2014
Cash generated (used in):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 7,928	\$ (31,921)
Add (deduct) items not involving cash:		
Amortization of capital assets	4,404	8,428
Amortization of deferred capital asset contributions	(2,158)	(3,085)
Impact on cash of changes in non-cash working capital items:		
Contributions and other amounts receivable	(13,159)	(3,199)
Due from Regent Park School of Music Foundation	11,375	(7,307)
Prepaid expenses and deposits	(4,726)	1,819
Accounts payable and accrued liabilities	1,340	12,700
Deferred contributions	(16,126)	23,786
	<u>(11,122)</u>	<u>1,221</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>-</u>	<u>(2,852)</u>
INCREASE (DECREASE) IN CASH	(11,122)	(1,631)
CASH, beginning of year	<u>161,946</u>	<u>163,577</u>
CASH, end of year	<u>\$ 150,824</u>	<u>\$ 161,946</u>

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2015

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 School provides young people in the Regent Park and other areas of Toronto with high quality, affordable music lessons, instruments, encouragement and access to diverse musical experiences in order to develop fully each student's interest and potential.

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 accounting

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organization in part III of the *CPA Canada Handbook* and include the following significant accounting policies.

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 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. Contributions received for the purchase of land are recorded as direct additions to net assets in the year received.

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

Donated materials and services which are 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 and amounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable.

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2015

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 and computer equipment	30% declining-balance basis
Furniture and equipment	20% declining-balance basis

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

Classification of operating expenses

The costs of each function included in operating expenses include the costs of personnel and other expenses that are directly related to the function. In addition, general support and other indirect costs are allocated to a function based on the estimated pro-rata portion of personnel time or building space used by that function.

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 period. Actual results could differ from those estimates.

Volunteer services

Much of the work of the organization is dependent upon voluntary services. Since these services are not normally purchased by the organization, and because of the difficulty of determining their fair value, such donated services are not recognized in the accounts.

3. 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.

Amounts receivable consist principally of GST/HST rebates recoverable. Other amounts receivable are regularly monitored to minimize and mitigate the credit risk of uncollected amounts.

The carrying value of the School's financial instruments approximates their fair value due to the relatively short term to maturity or capacity for prompt settlement or liquidation.

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

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2015

4. CAPITAL ASSETS

	Cost	Accumulated amortization	Net Book Value 2015	Net Book Value 2014
Computer equipment	\$ 8,918	\$ (6,994)	\$ 1,924	\$ 2,749
Musical instruments	130,180	(122,085)	8,094	11,563
Furniture and equipment	769	(326)	443	554
	<u>\$ 139,867</u>	<u>\$ (129,405)</u>	<u>\$ 10,462</u>	<u>\$ 14,866</u>

For the year ended June 30, 2015, amortization of capital assets expense totaled \$4,404 (2014 - \$8,428). Of that total, instrument amortization of \$3,469 (2014 - \$4,720) is classified as Instrument, exam, recital and related program delivery expenses under Programming. The remaining amortization is classified as Occupancy, utilities and equipment expenses under Programming, and Other general and administration expenses on the basis described in Note 2 Classification of Operating Expenses.

5. 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:

	2015	2014
Balance, beginning of year	\$ 7,195	\$ 10,280
Amortization during the year: Operations	<u>(2,158)</u>	<u>(3,085)</u>
Balance, end of year	<u>\$ 5,037</u>	<u>\$ 7,195</u>

6. 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 objective of the Foundation is to raise funds for the purpose of providing a source of long-term funding for capital projects, scholarship funds and other similar projects, and to more generally ensure the long-term viability of the School and other similar registered charities. Although the School and the Foundation have some directors in common, the majority of the Board of Directors of the Foundation are independent of the School.

Contributions to and from the Foundation are agreed between the two organizations and approved by their respective Boards of Directors.

REGENT PARK SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2015

7. CAPITAL MANAGEMENT

In managing capital, the School focuses on liquid resources available for operations. The School's objective is to have sufficient liquid resources to continue operations despite adverse financial events and to provide it with the flexibility to take advantage of opportunities to advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

The School's capital consists of its net assets, which have been generated by fundraising efforts, contributions, effective cost controls while increasing numbers of students, prudent investment policies and working capital management.

As at June 30, 2015, the School has met its objective of having sufficient liquid resources to meet its current obligations.

8. LEASE COMMITMENTS

The School has entered into a sub-lease agreement for premises to replace the current school building facility. The sub-lease agreement has a five year term to July 31, 2017.

The future annual lease payments, including HST and net of a three-year tenant transition fund credit of approximately \$52,000, are approximately as follows:

2016	\$ 63,000
2017	<u>62,000</u>
	<u>\$ 125,000</u>