

REGENT PARK SCHOOL OF MUSIC FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2015

Marinucci & Company
Chartered Accountants

171 John Street
Suite 101
Toronto Ontario M5T 1X3
Tel 416 214 1555 Fax 416 596 1520

www.marinucci.ca

E-mail sam@marinucci.ca

Independent Auditors' Report

To the Directors of Regent Park School of Music Foundation

We have audited the accompanying financial statements of Regent Park School of Music Foundation, 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 Foundation as at June 30, 2015 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Marinucci & Company

Toronto Ontario
October 26, 2015

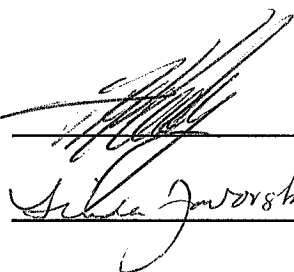
Chartered Accountants
Licensed Public Accountants

REGENT PARK SCHOOL OF MUSIC FOUNDATION

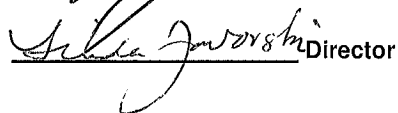
Balance Sheet as at June 30, 2015

	2015	2014
ASSETS		
Cash	\$ 81,590	\$ 162,874
Amounts receivable	21,763	15,000
GST/HST rebate receivable	7,810	2,890
Prepaid expenses	1,548	-
Investments (Note 4, 6 and 8)	<u>2,117,905</u>	<u>1,951,356</u>
	<u>\$ 2,230,616</u>	<u>\$ 2,132,120</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,772	\$ 2,404
Due to Regent Park School of Music (Note 7)	-	11,374
Deferred contributions (Note 5)	<u>167,510</u>	<u>141,260</u>
	<u>171,282</u>	<u>155,038</u>
NET ASSETS		
Endowment funds (Note 6)	139,058	111,287
Internally restricted (Note 8)	1,120,276	1,065,795
Unrestricted (Note 8)	<u>800,000</u>	<u>800,000</u>
	<u>2,059,334</u>	<u>1,977,082</u>
	<u>\$ 2,230,616</u>	<u>\$ 2,132,120</u>

Approved by the Board



Director



Director

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Changes in Net Assets

For the year ended June 30, 2015

	Endowment Funds (Note 6)	Internally restricted (Note 8)	Unrestricted	Total 2015	Total 2014
Balance, beginning of year	\$ 111,287	\$ 1,065,795	\$ 800,000	\$ 1,977,082	\$ 1,711,061
Excess of revenues over expenses	-	-	54,481	54,481	261,271
Contributions to endowment funds	27,771	-	-	27,771	4,750
Transfers	-	54,481	(54,481)	-	-
Balance, end of year	\$ 139,058	\$ 1,120,276	\$ 800,000	\$ 2,059,334	\$ 1,977,082

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Operations

For the year ended June 30, 2015

	2015	2014
REVENUES		
Donations and fundraising (Note 7)	\$ 925,649	\$ 413,304
Investment income (Note 4)	<u>103,900</u>	<u>253,724</u>
	<u>1,029,549</u>	<u>667,028</u>
EXPENSES		
Salaries, benefits and fees	219,483	184,014
Contributions to Regent Park School of Music (Note 7)	663,765	153,000
Fundraising	60,883	41,751
Scholarships	20,000	20,000
Accounting and audit	8,014	5,648
Office and general	<u>2,923</u>	<u>1,344</u>
	<u>975,068</u>	<u>405,757</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 54,481</u>	<u>\$ 261,271</u>

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Cash Flows

For the year ended June 30, 2015

	2015	2014
Cash generated (used in):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 54,481	\$ 261,271
Impact on cash of changes in non-cash working capital items:		
Amounts receivable	(6,763)	(10,000)
GST/HST rebate receivable	(4,920)	(207)
Due from/to Regent Park School of Music	(11,374)	7,306
Accounts payable and accrued liabilities	1,168	(13,366)
Prepaid expenses	(1,348)	-
Deferred contributions	<u>26,250</u>	<u>80,750</u>
	<u>57,494</u>	<u>325,754</u>
FINANCING ACTIVITIES		
Contributions to endowments	<u>27,771</u>	<u>4,750</u>
INVESTING ACTIVITIES		
Increase in investments, net	<u>(166,549)</u>	<u>(269,877)</u>
INCREASE (DECREASE) IN CASH	(81,284)	60,627
CASH, beginning of year	<u>162,874</u>	<u>102,247</u>
CASH, end of year	<u>\$ 81,590</u>	<u>\$ 162,874</u>

See accompanying Notes to Financial Statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND OPERATIONS

Regent Park School of Music Foundation ("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.

The objective of the Foundation is to conduct fundraising activities for the Regent Park School of Music ("School") and other similar registered charities. 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 (see Note 7).

The Foundation 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 organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies.

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 for operations 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.

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

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. The financial liabilities subsequently measured at amortized cost include accounts payable and amounts due to the School.

Investments, which consist of securities described in Notes 3 and 4, are subsequently measured at fair value.

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

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

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

June 30, 2015

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

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.

3. 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 carrying value of cash, accounts payable and amounts due to the School approximates their fair value due to the relatively short term to maturity of those instruments. It is management's opinion that the Foundation is not exposed to significant interest rate, credit or liquidity risk arising from these financial instruments.

The Foundation's investments are recorded at fair value, based on brokers' quotes (see Note 4).

The Foundation is exposed to interest rate, currency, market and credit risk 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 School and donors, all within the context of complying with applicable fiscal requirements. There were no significant changes in risks during the year.

4. INVESTMENTS

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

	2015	2014
Cash and cash equivalents	\$ 559,542	\$ 425,569
Fixed income	655,290	586,124
Equities	699,252	708,083
Balanced	<u>203,821</u>	<u>231,580</u>
	<u>\$ 2,117,905</u>	<u>\$ 1,951,356</u>

The Foundation's objective is to manage investment assets to generate total returns consistent with the Foundation's objectives and within 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:

	2014	2013
Interest, dividends and unit trust distributions	\$ 30,032	\$ 35,476
Increase in fair value	<u>73,868</u>	<u>218,248</u>
	<u>\$ 103,900</u>	<u>\$ 253,724</u>

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

June 30, 2015

5. DEFERRED CONTRIBUTIONS

Deferred contributions at June 30 consist of the following:

	2015	2014
Donations for subsequent year programming	\$ 115,500	\$ 85,000
John Adams/Grant Thornton Fund	<u>52,010</u>	<u>56,250</u>
	<u>\$ 167,510</u>	<u>\$ 141,260</u>

In 2013, the Foundation received \$60,510 in contributions for the John Adams/Grant Thornton Fund.

Contributions from this Fund are available over a period of 20 years to the Foundation to support any of the following specific activities of the School:

- Group lessons subsidy;
- Instruments and supplies purchases;
- Royal Conservatory of Music exam fees; and,
- Ensembles.

The availability of this Fund over the 20 year period is restricted as follows:

- \$4,250 per year for Years 1 to 5, starting in 2014;
- \$4,500 per year for Years 6 to 10;
- \$4,750 per year for Years 11 to 15;
- \$5,000 per year for Years 16 to 20.

At the end of 20 years, the residual balance is available for operations, at the discretion of the Board of Directors.

6. ENDOWMENT FUNDS

The endowment funds 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 revenues in the statement of operations.

The cumulative balance of donated capital for each of the endowment funds at June 30 is as follows:

	2015	2014
Wayne Strongman Fund	\$ 56,925	\$ 41,219
Oscar Morawetz Fund	36,890	26,090
The Bryant Darville Bursary Fund	25,000	25,000
Evelyn Rothstein Fund	7,923	7,923
Stan Witkin Fund	<u>12,320</u>	<u>11,055</u>
	<u>\$ 139,058</u>	<u>\$ 111,287</u>

The balance of the endowment funds is supported by investments.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

June 30, 2015

7. RELATIONSHIP WITH REGENT PARK SCHOOL OF MUSIC

On August 26, 2003, the Board of Directors of the School 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 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.

8. 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 School'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 the amount in excess of the equivalent of 9 months' annual operating costs for the Foundation and the School (established by the Board of Directors as \$800,000 as at June 30, 2015 and to be maintained as unrestricted net assets).

The balance of the internally restricted fund is supported by investments.

9. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation'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 Foundation's capital consists of its net assets, which have been generated by fundraising efforts, contributions, prudent investment policies and effective cost controls.

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