

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Financial Statements

June 30, 2017

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Index to Financial Statements

Year Ended June 30, 2017

| | Page |
|-------------------------------------|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Changes in Net Assets | 3 |
| Statement of Operations | 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 Foundation

We have audited the accompanying financial statements of Regent Park School of Music Foundation, which comprise the statement of financial position as at June 30, 2017 and the statements of operations, 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.

Auditor's 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 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, 2017 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 29, 2017

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

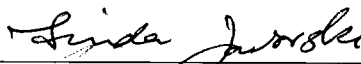
REGENT PARK SCHOOL OF MUSIC FOUNDATION

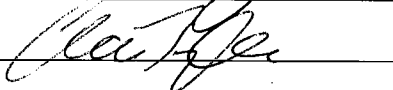
Statement of Financial Position

As at June 30, 2017

| | 2017 | 2016 |
|---|--------------|--------------|
| ASSETS | | |
| Cash | \$ 338,531 | \$ 100,245 |
| Accounts receivable | 101 | 37,641 |
| Harmonized Sales Tax recoverable | 4,148 | 9,586 |
| Prepaid expenses | 5,739 | - |
| Investments (Notes 4, 6 and 8) | 2,388,726 | 2,170,821 |
| | \$ 2,737,245 | \$ 2,318,293 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 4,502 | \$ 2,403 |
| Due to Regent Park School of Music (Note 7) | 32,206 | - |
| Deferred revenues (Note 5) | 294,973 | 227,760 |
| | 331,681 | 230,163 |
| NET ASSETS | | |
| Endowment funds (Note 6) | 146,058 | 144,858 |
| Internally restricted (Note 8) | 1,459,506 | 1,143,272 |
| Unrestricted (Note 8) | 800,000 | 800,000 |
| | 2,405,564 | 2,088,130 |
| | \$ 2,737,245 | \$ 2,318,293 |

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Changes in Net Assets

Year Ended June 30, 2017

| | <i>Endowment funds</i> | | <i>Internally restricted</i> | <i>Unrestricted</i> | 2017 | 2016 | | | | |
|------------------------------------|------------------------|---------|------------------------------|---------------------|------|---------|----|-----------|----|-----------|
| Balance - beginning of year | \$ | 144,858 | \$ | 1,143,272 | \$ | 800,000 | \$ | 2,088,130 | \$ | 2,059,334 |
| Excess of revenues over expenses | | - | | 316,234 | | - | | 316,234 | | 24,185 |
| Contributions to endowment funds | | 1,200 | | - | | - | | 1,200 | | 4,611 |
| Balance - end of year | \$ | 146,058 | \$ | 1,459,506 | \$ | 800,000 | \$ | 2,405,564 | \$ | 2,088,130 |

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Operations

Year Ended June 30, 2017

| | 2017 | 2016 |
|--|-------------------|------------------|
| REVENUES | | |
| Donations and fundraising <i>(Note 7)</i> | \$ 1,253,019 | \$ 1,044,462 |
| Investment income <i>(Note 4)</i> | 156,279 | 68,687 |
| | <u>1,409,298</u> | <u>1,113,149</u> |
| EXPENSES | | |
| Contributions to Regent Park School of Music <i>(Note 7)</i> | 750,867 | 762,760 |
| Salaries, benefits and fees | 235,642 | 221,372 |
| Fundraising | 72,135 | 70,991 |
| Scholarships | 20,000 | 20,000 |
| Accounting and audit | 9,612 | 7,820 |
| Office and general | 4,808 | 6,021 |
| | <u>1,093,064</u> | <u>1,088,964</u> |
| EXCESS OF REVENUES OVER EXPENSES | <u>\$ 316,234</u> | <u>\$ 24,185</u> |

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION**Statement of Cash Flows****Year Ended June 30, 2017**

| | 2017 | 2016 |
|--|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 316,234 | \$ 24,185 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 37,540 | (15,878) |
| Harmonized Sales Tax recoverable | 5,438 | (1,776) |
| Prepaid expenses | (5,739) | 1,548 |
| Accounts payable and accrued liabilities | 2,099 | (1,369) |
| Due to Regent Park School of Music | 32,206 | - |
| Deferred revenues | 67,213 | 60,250 |
| | <u>138,757</u> | <u>42,775</u> |
| Cash flow from operating activities | <u>454,991</u> | <u>66,960</u> |
| INVESTING ACTIVITY | | |
| Increase in investments, net | <u>(217,905)</u> | <u>(52,916)</u> |
| FINANCING ACTIVITY | | |
| Contributions to endowments | <u>1,200</u> | <u>4,611</u> |
| INCREASE IN CASH | 238,286 | 18,655 |
| CASH - BEGINNING OF YEAR | <u>100,245</u> | <u>81,590</u> |
| CASH - END OF YEAR | <u>\$ 338,531</u> | <u>\$ 100,245</u> |

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

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 objectives of the Foundation are to allow Regent Park School of Music (“School”) to thrive and explore new ideas. The goal is to grow the investment base and to generate sufficient returns to support the School in achieving its strategic plan.

The School’s goals are to engage its students, build their character and provide them with the confidence and discipline to achieve their full potential, and to be acknowledged by its community as one of the City’s leading music education institutions, offering progressive and collaborative programs through a creative curriculum (see Note 7).

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 and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and Due to Regent Park School of Music.

Investments 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.

(continues)

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteer services

Much of the work of the Foundation is dependent upon voluntary services. Since these services are not normally purchased by the Foundation, such donated services are not recognized in the accounts.

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.

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.

It is management's opinion that the Foundation is not exposed to significant market, 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, credit and other price 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.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

4. INVESTMENTS

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

| | <u>2017</u> | <u>2016</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 207,260 | \$ 338,524 |
| Fixed income | 706,486 | 672,856 |
| Equities | 1,336,019 | 1,041,796 |
| Balanced | <u>138,961</u> | <u>117,645</u> |
| | <u>\$ 2,388,726</u> | <u>\$ 2,170,821</u> |

The Foundation's investment 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:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|------------------|
| Interest, dividends and unit trust distributions | \$ 47,034 | \$ 33,421 |
| Increase in fair value | <u>109,245</u> | <u>35,266</u> |
| | <u>\$ 156,279</u> | <u>\$ 68,687</u> |

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

5. DEFERRED REVENUES

The continuity of deferred revenues is as follows:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 227,760 | \$ 167,510 |
| Add: amounts received during the year | 247,463 | 180,000 |
| Less: amounts recognized as revenues during the year | (180,250) | (119,750) |
| Balance, end of year | <u>\$ 294,973</u> | <u>\$ 227,760</u> |

In 2013, the Foundation received \$64,510 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; and
- \$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:

| | 2017 | 2016 |
|----------------------------------|-------------------|-------------------|
| Wayne Strongman Fund | \$ 56,925 | \$ 56,925 |
| Oscar Morawetz Fund | 42,390 | 42,190 |
| The Bryant Darville Bursary Fund | 26,000 | 25,000 |
| Stan Witkin Fund | 12,820 | 12,820 |
| Evelyn Rothstein Fund | 7,923 | 7,923 |
| | <u>\$ 146,058</u> | <u>\$ 144,858</u> |

The balance of the endowment funds is supported by investments.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

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.

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, 2017, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 2017 presentation. These reclassifications have no impact on excess of revenues over expenses previously reported.