

**REGENT PARK SCHOOL OF MUSIC**

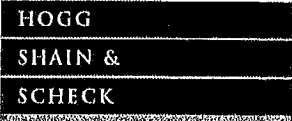
**Financial Statements**

**June 30, 2016**

**REGENT PARK SCHOOL OF MUSIC**  
**Index to Financial Statements**  
**Year Ended June 30, 2016**

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Professional Corporation, CPAs  
Tax | Audit | Advisory

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**INDEPENDENT AUDITOR'S 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 statement of financial position as at June 30, 2016 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.

*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 as at June 30, 2016 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.

*Other Matter*

The financial statements of Regent Park School of Music for the year ended June 30, 2015 were audited by Marinucci & Company, Chartered Accountants, who expressed an unqualified opinion on those statements, dated December 3, 2015. The predecessor auditor merged with Hogg, Shain & Scheck subsequent to that date.

*Hogg, Shain & Scheck PC*

Toronto, Ontario  
November 8, 2016

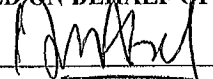

Authorized to practise public accounting by the  
Chartered Professional Accountants of Ontario

**REGENT PARK SCHOOL OF MUSIC**  
**Statement of Financial Position**  
**As at June 30, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 180,233	\$ 150,824
Accounts receivable	17,207	21,536
Harmonized sales tax recoverable	8,115	6,691
Prepaid expenses and deposits	17,187	21,289
	222,742	200,340
<b>CAPITAL ASSETS, net of accumulated amortization (Note 4)</b>	<b>9,527</b>	<b>10,462</b>
	<b>\$ 232,269</b>	<b>\$ 210,802</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 62,124	\$ 58,747
Deferred contributions (Note 5)	18,000	8,660
	80,124	67,407
<b>LONG TERM</b>		
Deferred contributions for capital asset purchases (Note 7)	3,526	5,037
	83,650	72,444
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSET UNRESTRICTED</b>	6,001	5,425
	142,618	132,933
	148,619	138,358
	<b>\$ 232,269</b>	<b>\$ 210,802</b>

**COMMITMENTS (Note 10)**

**APPROVED ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

*See the accompanying notes to these financial statements*

**REGENT PARK SCHOOL OF MUSIC**  
**Statement of Operations and Changes in Net Assets**  
**Year Ended June 30, 2016**

	2016	2015
<b>REVENUES</b>		
Contributions from Regent Park School of Music Foundation <i>(Note 8)</i>	\$ 762,760	\$ 663,765
Tuition fees and performances	88,158	90,365
Government grants <i>(Note 6)</i>	35,000	43,000
Collaborative project revenues	18,108	21,011
Special events	8,388	9,685
Donations	6,459	-
Other revenue	4,138	-
Amortization of deferred contributions for capital asset purchases <i>(Note 7)</i>	1,511	2,158
	<b>924,522</b>	<b>829,984</b>
<b>EXPENSES</b>		
School programming	548,194	478,367
Administrative	348,046	337,870
Collaborative project	13,990	-
Fundraising	556	1,415
Amortization of capital assets	3,475	4,404
	<b>914,261</b>	<b>822,056</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>10,261</b>	<b>7,928</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>138,358</b>	<b>130,430</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 148,619</b>	<b>\$ 138,358</b>

*See the accompanying notes to these financial statements*

**REGENT PARK SCHOOL OF MUSIC**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 10,261	\$ 7,928
Add (deduct) items not affecting cash:		
Amortization of capital assets	3,475	4,404
Amortization of deferred contributions for capital asset purchases	(1,511)	(2,158)
	<u>12,225</u>	<u>10,174</u>
Changes in non-cash working capital balances:		
Accounts receivable	4,329	(16,988)
Harmonized sales tax recoverable	(1,424)	3,828
Prepaid expenses and deposits	4,102	(4,726)
Due from Regent Park School of Music Foundation	-	11,375
Accounts payable and accrued liabilities	3,378	1,340
Deferred contributions	9,340	(16,125)
	<u>19,725</u>	<u>(21,296)</u>
Cash flow from (used by) operating activities	<u>31,950</u>	<u>(11,122)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(2,541)</u>	-
Cash flow from (used by) investing activity	<u>(2,541)</u>	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>29,409</b>	<b>(11,122)</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>150,824</u>	<u>161,946</u>
<b>CASH - END OF YEAR</b>	<u>\$ 180,233</u>	<u>\$ 150,824</u>

*See the accompanying notes to these financial statements*

**REGENT PARK SCHOOL OF MUSIC**  
**Notes to Financial Statements**  
**Year Ended June 30, 2016**

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**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'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.

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 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 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 the 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 accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable.

*(continues)*

# REGENT PARK SCHOOL OF MUSIC

## Notes to Financial Statements

Year Ended June 30, 2016

### 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	30%	declining balance method
Computer equipment	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.

#### 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.

Accounts 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 market, credit or liquidity risk arising from its financial instruments.

### 4. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Musical instruments	\$ 132,721	\$ 124,895	\$ 7,826	\$ 8,094
Computer equipment	8,919	7,572	1,347	1,925
Furniture and equipment	769	415	354	443
	<u>\$ 142,409</u>	<u>\$ 132,882</u>	<u>\$ 9,527</u>	<u>\$ 10,462</u>



**REGENT PARK SCHOOL OF MUSIC**  
**Notes to Financial Statements**  
**Year Ended June 30, 2016**

**5. DEFERRED CONTRIBUTIONS**

Deferred contributions consist of:

	2016	2015
Ontario Arts Council - project grant	\$ 10,000	\$ -
Toronto Artscape - Collective arts project	8,000	7,200
Other	-	1,460
	\$ 18,000	\$ 8,660

**6. GOVERNMENT GRANTS**

Government grants received during the year consist of:

	2016	2015
Canada Council for the Arts - project grant	\$ 15,000	\$ 15,000
Toronto Arts Council:		
Operating grant	20,000	20,000
Project grant	-	8,000
	\$ 35,000	\$ 43,000

**7. 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:

	2016	2015
Balance, beginning of year	\$ 5,037	\$ 7,195
Amortization during the year	(1,511)	(2,158)
Balance, end of year	\$ 3,526	\$ 5,037

**8. 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.

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

Year Ended June 30, 2016

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#### 9. 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 control while increasing number of students, prudent investment policies and working capital management.

As at June 30, 2016, the School has met its objective of having sufficient liquid resources to meet its current obligations.

#### 10. 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 \$15,265, are approximately \$61,000.

#### 11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 2016 presentation. These reclassifications have no impact on excess of revenues over expenses previously reported.