
**SAINT JAMES MUSIC ACADEMY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016**





INDEPENDENT AUDITORS' REPORT

To the Members of:
Saint James Music Academy

Report on the Financial Statements

We have audited the accompanying financial statements of Saint James Music Academy (the "Academy") which comprise the statement of financial position as at June 30, 2016, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and the related notes comprising 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 our 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

Basis for Qualified Opinion

In common with many charitable organizations, the Academy derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Academy. Therefore, we were unable to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and cash flows from operations for the years ended June 30, 2016 and 2015, current assets as at June 30, 2016 and 2015 and net assets at both the beginning and end of the June 30, 2016 and 2015 years. Our audit opinion on the financial statements for the year ended June 30, 2015 also contained a qualification because of the possible effects of the limitations on scope.



INDEPENDENT AUDITORS' REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saint James Music Academy as at June 30, 2016 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.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report that, in our opinion, the Academy's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

Manning Elliott LLP

Chartered Professional Accountants

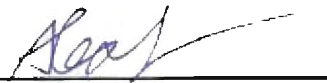
Vancouver, British Columbia


September 7, 2016

SAINT JAMES MUSIC ACADEMY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 88,883	\$ 5,320
Term deposit	60,789	120,000
Accounts receivable	2,646	4,857
Prepaid expenses	9,375	24,338
	161,693	154,515
CAPITAL ASSETS (Note 3)	98,280	62,933
	\$ 259,973	\$ 217,448
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 13,376	\$ 11,894
Deferred revenue	10,000	12,700
	23,376	24,594
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)	57,947	52,973
	81,323	77,567
COMMITMENTS (Note 6)		
NET ASSETS		
INVESTED IN CAPITAL ASSETS	40,333	9,960
UNRESTRICTED	138,317	129,921
	178,650	139,881
	\$ 259,973	\$ 217,448

Approved by the Board:


 _____ Director


 _____ Director



SAINT JAMES MUSIC ACADEMY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

			2016		2015	
	Invested in capital assets	Unrestricted	Total	Total	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 9,960	\$ 129,921	\$ 139,881	\$ 7,561		
Excess of revenue over expenses for the year	-	38,769	38,769	132,320		
Purchase of capital assets	50,398	(50,398)	-	-		
Amortization of capital assets	(15,051)	15,051	-	-		
Deferred contributions related to capital assets	(18,455)	18,455	-	-		
Amortization of deferred contributions related to capital assets	13,481	(13,481)	-	-		
BALANCE, END OF YEAR	\$ 40,333	\$ 138,317	\$ 178,650	\$ 139,881		



SAINT JAMES MUSIC ACADEMY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
REVENUE		
Foundations	\$ 388,545	\$ 333,632
Donations – individuals	173,436	126,754
B.C. Community Gaming Grant	75,000	75,000
Donations – corporate	69,903	79,765
Fundraising	63,026	29,613
Other income	36,816	11,028
Amortization of deferred contributions related to capital assets (Note 4)	13,481	11,636
World Vision Canada	6,500	45,750
Donations – other	6,121	5,685
Bequests	-	150,000
	832,828	868,863
EXPENSES		
Salaries and employee benefits	282,508	242,082
Teachers' fees	210,228	239,275
Activities and supplies	95,562	86,332
Rent and building maintenance (Note 6)	51,653	31,088
Community outreach	41,496	38,656
Professional development	13,049	8,405
Transportation	4,948	6,985
	699,444	652,823
Overhead:		
Office	28,522	19,769
Amortization	15,051	8,821
Fundraising	11,485	11,388
Utilities, telephone and internet	6,956	10,978
Advertising and promotion	6,835	6,439
Professional fees	6,245	6,113
Other	5,530	6,308
Bookkeeping	4,920	4,766
Insurance	4,297	3,841
Travel	4,218	4,904
Bank charges	556	393
	94,615	83,720
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	\$ 38,769	\$ 132,320



SAINT JAMES MUSIC ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 38,769	\$ 132,320
Items not involving cash:		
Amortization	15,051	8,821
Amortization of deferred contribution related to capital assets	(13,481)	(11,636)
Rent	10,000	11,614
	50,339	141,119
Change in non-cash working capital items:		
Accounts receivable	2,211	4,154
Prepaid expenses	4,963	(21,684)
Accounts payable and accrued liabilities	1,482	(3,025)
Deferred revenue	(2,700)	12,700
	56,295	133,264
INVESTING ACTIVITIES		
Purchase of capital assets	(31,943)	(12,860)
INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR		
	24,352	120,404
CASH AND EQUIVALENTS, BEGINNING OF YEAR		
	125,320	4,916
CASH AND EQUIVALENTS, END OF YEAR		
	\$ 149,672	\$ 125,320
Cash and equivalents included in the cash flow statement comprise the following balance sheet accounts:		
Cash	\$ 88,883	\$ 5,320
Term deposit	60,789	120,000
	\$ 149,672	\$ 125,320

NON-CASH INVESTING ACTIVITIES (Note 4)



SAINT JAMES MUSIC ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

PURPOSE OF ORGANIZATION

Saint James Music Academy (the "Academy") was incorporated under the Society Act of British Columbia on October 17, 2007. The Academy became a registered charitable organization on March 11, 2010. The purpose of the Academy is to provide children in the Vancouver's downtown eastside an opportunity to explore their creative potential through music in a safe after school environment.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook – Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Cash and equivalents

Cash and equivalents consists of cash on deposit and term deposit.

b) Financial instruments

Measurement

The Academy's financial instruments consist of cash, term deposit, accounts receivable and accounts payable.

The Academy initially measures its financial assets and liabilities at fair value. The Academy subsequently measures all of its financial assets and liabilities at amortized cost.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of revenue and expenses. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenue and expenses in the period in which it is determined.

c) Amortization

Capital assets are stated at cost less accumulated amortization which is recorded over the useful lives of the assets on the straight-line method at the following annual rates:

Musical instruments	10 years
Computer equipment	3 years
Equipment and furniture	3 years
Software	3 years

The Academy monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Academy, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenses. Write-downs recognized under this policy are not reversed.



SAINT JAMES MUSIC ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Revenue recognition

The Academy follows the deferral method of accounting for revenue. Restricted revenue is recognized in the year in which the related expenses are incurred. Unrestricted revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Deferred revenue represents contributions received that is related to a subsequent period.

Deferred contributions related to capital assets represent restricted contributions that have been received for the purchase of musical instruments. These contributions are being amortized using the same method as the related assets.

e) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of useful lives of assets used for computing amortization, the determination of the amounts recorded as deferred revenue, deferred contributions related to capital assets and accrued liabilities.

f) Contributed services and materials

Contributed services are not recognized in the financial statements due to the difficulty of determining their fair value. The Academy capitalizes donated musical instruments at their fair market value only when their fair value can be reasonably estimated. Other donated materials are not recognized in the financial statements.

g) Income taxes

The Academy is a registered charity under the Income Tax Act and is accordingly exempt from income taxes.

2. FINANCIAL INSTRUMENTS RISKS

The Academy's financial instruments are described in Note 1(b). In management's opinion, the Academy is not exposed to significant currency, credit, liquidity, interest rate, market or other price risks. In addition, the Academy is not exposed to any material concentrations of risk and there has been no change in risk exposures from the prior year.



SAINT JAMES MUSIC ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

3. CAPITAL ASSETS

			2016			2015
	Cost	Accumulated Amortization	Net Book Value		Net Book Value	
Musical instruments	\$ 100,186	\$ 18,474	\$ 81,712	\$	50,570	
Software	11,062	2,504	8,558		5,125	
Equipment and furniture	9,070	3,746	5,324		4,194	
Computer equipment	6,710	4,024	2,686		3,044	
	\$ 127,028	\$ 28,748	\$ 98,280	\$	62,933	

During the year, donated musical instruments totaling \$18,455 (2015 - \$18,884) were capitalized (See Note 4).

4. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted contributions that have been used to purchase musical instruments. These contributions are amortized at the same rate as the underlying assets.

	2016	2015
Balance at beginning of year	\$ 52,973	\$ 45,725
Contributions in kind received during the year	18,455	18,884
Less: Amortized to revenue	(13,481)	(11,636)
	\$ 57,947	\$ 52,973

5. BANK CREDIT FACILITY

The Academy has available a revolving demand credit facility of up to \$25,000, bearing interest at Vancity Credit Union's prime lending rate plus 2% per annum. At June 30, 2016, \$Nil (2015 - \$Nil) had been drawn on the credit facility.

6. COMMITMENTS

- a) On September 1, 2016, the Academy and St. James' Anglican Church renewed their agreement which allows the Academy to use space for its activities. The Academy is committed to maintain the cleanliness and orderliness of the premises and to pay an amount of \$30,000 to the Church to cover janitorial costs, one half of the annual Church's recycling fee and other related expenses. 40% of the payment is due on January 31st and 60% of the payment is due on June 30th. The Academy will also pay an extra \$1,000 for the period January 1 to June 30, 2017 for extended rental time on Monday nights. This agreement, which expires June 30, 2017, can be reviewed annually by both parties.



SAINT JAMES MUSIC ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. COMMITMENTS (Continued)

- b) The Academy entered into a lease agreement with the Roman Catholic Archbishop of Vancouver for the annex of St. Paul's Parish for a two year term effective from September 1, 2014 to August 31, 2016. Under the terms of the lease agreement, the Academy will pay minimum monthly rent of \$1,000 plus operating costs for the term of the lease. At the date of the financial statements, a new agreement had not been signed, however the Academy expects that this agreement will be renewed and will include an increase in the leased space.

7. ECONOMIC DEPENDENCE

Revenue from the B.C. Community Gaming Grant must be spent according to the rules of the British Columbia Gaming Policy and Enforcement Branch.

The Academy is also dependent on various foundations, individuals and corporate entities to maintain its continuing operations.

