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**SAINT JAMES MUSIC ACADEMY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

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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, 2017, 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, 2017 and 2016, current assets as at June 30, 2017 and 2016 and net assets at both the beginning and end of the June 30, 2017 and 2016 years. Our audit opinion on the financial statements for the year ended June 30, 2016 also contained a qualification because of the possible effects of the limitations on scope.



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## **INDEPENDENT AUDITORS' REPORT**

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### **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, 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.

### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act of British Columbia, 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

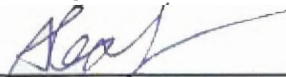
Vancouver, British Columbia

September 7, 2017

**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2017**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,242	\$ 88,883
Redeemable term deposits	201,457	60,789
Accounts receivable	2,882	2,646
Prepaid expenses	7,022	9,375
	213,603	161,693
<b>CAPITAL ASSETS (Note 3)</b>	<b>92,318</b>	<b>98,280</b>
	<b>\$ 305,921</b>	<b>\$ 259,973</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 17,083	\$ 13,376
Deferred revenue	32,236	10,000
	49,319	23,376
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)</b>	<b>60,496</b>	<b>57,947</b>
	<b>109,815</b>	<b>81,323</b>
<b>CONTRACTUAL OBLIGATIONS (Note 6)</b>		
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b>	<b>31,822</b>	<b>40,333</b>
<b>UNRESTRICTED</b>	<b>164,284</b>	<b>138,317</b>
	196,106	178,650
	<b>\$ 305,921</b>	<b>\$ 259,973</b>

Approved by the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director



**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

			<b>2017</b>		<b>2016</b>	
	Invested in capital assets	Unrestricted	Total	Total	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 40,333	\$ 138,317	\$ 178,650	\$ 178,650	\$ 139,881	\$ 139,881
Excess of revenue over expenses for the year	-	17,456	17,456	17,456	38,769	38,769
Purchase of capital assets	11,143	(11,143)	-	-	-	-
Amortization of capital assets	(17,105)	17,105	-	-	-	-
Deferred contributions related to capital assets	(11,145)	11,145	-	-	-	-
Amortization of deferred contributions related to capital assets	8,596	(8,596)	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 31,822</b>	<b>\$ 164,284</b>	<b>\$ 196,106</b>	<b>\$ 196,106</b>	<b>\$ 178,650</b>	<b>\$ 178,650</b>



**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
<b>REVENUE</b>		
Foundations	\$ 326,361	\$ 388,545
Donations – individuals	254,997	173,436
Donations – corporate	168,043	69,903
BC Gaming grant	80,000	75,000
Fundraising	18,023	63,026
Amortization of deferred contributions related to capital assets (Note 4)	8,596	13,481
Donations – other	7,163	6,121
Other income	6,050	36,816
World Vision Canada	-	6,500
	869,233	832,828
<b>DIRECT EXPENSES</b>		
Salaries and employee benefits	318,627	282,508
Teachers' fees	234,894	210,228
Activities and supplies	100,510	95,562
Rent and building maintenance (Note 6)	70,674	51,653
Community outreach	27,475	41,496
Transportation	10,153	4,948
Professional development	5,335	13,049
	767,668	699,444
<b>OVERHEAD EXPENSES</b>		
Amortization	17,105	15,051
Office	12,112	28,522
Advertising and promotion	11,518	6,835
Other	6,817	5,530
Professional fees	6,644	6,245
Utilities, telephone and internet	6,617	6,956
Bookkeeping	5,719	4,920
Scholarships	5,000	-
Insurance	4,630	4,297
Travel	4,200	4,218
Fundraising	3,355	11,485
Bank charges	392	556
	84,109	94,615
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ 17,456</b>	<b>\$ 38,769</b>



**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2017</b>	<b>2016</b>
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 17,456	\$ 38,769
Items not involving cash:		
Amortization	17,105	15,051
Amortization of deferred contribution related to capital assets	(8,596)	(13,481)
Rent	-	11,614
	25,965	51,953
Change in non-cash working capital items:		
Accounts receivable	(236)	2,211
Prepaid expenses	2,353	16,368
Accounts payable and accrued liabilities	3,709	1,482
Deferred revenue	22,236	(2,700)
	54,027	69,314
INVESTING ACTIVITIES		
Purchase of capital assets	-	(44,962)
INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR	54,027	24,352
CASH AND EQUIVALENTS, BEGINNING OF YEAR	149,672	125,320
CASH AND EQUIVALENTS, END OF YEAR	\$ 203,699	\$ 149,672
Cash and equivalents included in the cash flow statement comprise the following balance sheet accounts:		
Cash	\$ 2,242	\$ 88,883
Redeemable term deposits	201,457	60,789
	\$ 203,699	\$ 149,672

NON-CASH INVESTING ACTIVITIES (Note 4)



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**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**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 and redeemable term deposits which can be cashed at any time.

b) Financial instruments

Measurement

The Academy's financial instruments consist of cash, redeemable term deposits, 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.





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**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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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, 2017**

3. CAPITAL ASSETS

			<b>2017</b>			<b>2016</b>
	Cost	Accumulated Amortization	Net Book Value			Net Book Value
Musical instruments	\$ 111,330	\$ 27,761	\$ 83,569	\$		81,712
Software	11,062	6,191	4,871			8,558
Equipment and furniture	9,070	6,217	2,853			5,324
Computer equipment	6,710	5,685	1,025			2,686
	<b>\$ 138,172</b>	<b>\$ 45,854</b>	<b>\$ 92,318</b>	<b>\$</b>		<b>98,280</b>

During the year, donated musical instruments totaling \$11,143 (2016 - \$18,455) 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.

	<b>2017</b>	<b>2016</b>
Balance at beginning of year	\$ 57,947	\$ 52,973
Contributions in kind received during the year	11,145	18,455
Less: Amortized to revenue	(8,596)	(13,481)
	<b>\$ 60,496</b>	<b>\$ 57,947</b>

5. BANK CREDIT FACILITY

The Academy has a revolving demand credit facility available of up to \$25,000, bearing interest at Vancity Credit Union's prime lending rate plus 2% per annum. At June 30, 2017, \$Nil (2016 - \$Nil) had been drawn on the credit facility.



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**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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6. CONTRACTUAL OBLIGATIONS

- a) On July 22, 2017, 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. This agreement, which expires June 30, 2018, can be reviewed annually by both parties.
- b) The Academy renewed their 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, 2016 to August 31, 2018. Under the terms of the lease agreement, the Academy will pay minimum monthly rent of \$2,600 plus operating costs for the term of the lease.

Minimum payments under this agreement during the next two fiscal years are anticipated to be as follows:

2018	\$	31,200
2019		5,200
	\$	<u>36,400</u>

7. ECONOMIC DEPENDENCE

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

8. BC GAMING REVENUE

Revenue from BC Gaming Revenue must be spent according to the rules of the British Columbia Gaming Policy and Enforcement Branch.

9. DISCLOSURE REQUIRED UNDER THE SOCIETIES ACT

On November 28, 2016 the Societies Act of British Columbia came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, the Academy paid \$Nil to such directors, employees and contractors.

