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**SAINT JAMES MUSIC ACADEMY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Saint James Music Academy

### Report on the Financial Statements

#### Opinion

We have audited the financial statements of Saint James Music Academy (the "Academy"), which comprise the statement of financial position as at June 30, 2020, and the statements of changes in net assets, revenue and expenses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as at June 30, 2020, 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.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Academy in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Academy or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Academy's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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## INDEPENDENT AUDITORS' REPORT

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Academy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Manning Elliott LLP*

Chartered Professional Accountants  
Vancouver, British Columbia  
October 14, 2020.

**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 248,191	\$ 420,742
Accounts receivable	6,532	4,742
Prepaid expenses	2,881	2,586
	<b>257,604</b>	428,070
<b>CAPITAL ASSETS (Note 3)</b>	<b>124,223</b>	142,532
	<b>\$ 381,827</b>	<b>\$ 570,602</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 18,734	\$ 27,663
Deferred revenue	-	100,000
	<b>18,734</b>	127,663
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)</b>	<b>96,456</b>	106,851
	<b>115,190</b>	234,514
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS	27,767	35,681
UNRESTRICTED	238,870	300,407
	<b>266,637</b>	336,088
	<b>\$ 381,827</b>	<b>\$ 570,602</b>

CONTRACTUAL OBLIGATIONS (Note 9)

COVID-19 RISK (Note 13)

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Invested in capital assets	Unrestricted	<b>2020 Total</b>	2019 Total
BALANCE, BEGINNING OF YEAR	\$ 35,681	\$ 300,407	\$ <b>336,088</b>	\$ 226,563
(Deficiency) excess of revenue over expenses	-	(69,451)	<b>(69,451)</b>	109,525
Purchase of capital assets	10,736	(10,736)	-	-
Amortization of capital assets	(29,045)	29,045	-	-
Deferred contribution related to capital assets received	(10,079)	10,079	-	-
Amortization of deferred contributions related to capital assets	20,474	(20,474)	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 27,767</b>	<b>\$ 238,870</b>	<b>\$ 266,637</b>	<b>\$ 336,088</b>

**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
<b>REVENUE</b>		
Foundations	\$ 370,113	\$ 357,377
Donations – corporate	219,110	80,089
Donations – individuals	162,257	437,008
BC Gaming grant (Note 6)	100,000	80,000
Amortization of deferred contributions related to capital assets (Note 4)	20,474	19,131
Other income	8,497	19,909
Endowment income (Note 7)	4,275	2,693
Donations – other	2,741	2,842
Fundraising	2,386	27,024
	<b>889,853</b>	<b>1,026,074</b>
<b>DIRECT EXPENSES</b>		
Salaries and employee benefits	512,728	440,880
Teachers' fees	202,427	169,715
Activities and supplies	102,091	107,780
Rent and building maintenance (Note 9)	80,887	69,945
Community outreach	25,063	25,283
Transportation	4,693	8,926
Professional development	156	5,557
	<b>928,045</b>	<b>828,086</b>
<b>OVERHEAD EXPENSES</b>		
Amortization of capital assets	29,045	30,230
Office	20,073	9,590
Fundraising	13,896	1,745
Utilities, telephone and internet	11,528	6,686
Professional fees	8,237	8,125
Other	7,451	7,181
Bookkeeping	6,719	6,580
Advertising and promotion	6,355	3,168
Insurance	5,748	4,649
Travel	4,875	6,640
Scholarships	2,500	3,500
Bank charges	409	369
	<b>116,836</b>	<b>88,463</b>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<b>(155,028)</b>	109,525
<b>OTHER INCOME</b>		
COVID-19 SUBSIDIES (Note 8)	<b>85,577</b>	-
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<b>\$ (69,451)</b>	<b>\$ 109,525</b>

**SAINT JAMES MUSIC ACADEMY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenses	\$ (69,451)	\$ 109,525
Items not affecting cash:		
Amortization of capital assets	29,045	30,230
Amortization of deferred contributions related to capital assets	(20,474)	(19,131)
	<b>(60,880)</b>	<b>120,624</b>
Changes in non-cash working capital:		
Accounts receivable	(1,790)	(1,099)
Prepaid expenses	(295)	4,092
Accounts payable and accrued liabilities	(8,929)	(347)
Deferred revenue	(100,000)	76,038
	<b>(111,014)</b>	<b>78,684</b>
	<b>(171,894)</b>	<b>199,308</b>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	(657)	(3,002)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(172,551)</b>	<b>196,306</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>420,742</b>	<b>224,436</b>
<b>CASH - END OF YEAR</b>	<b>\$ 248,191</b>	<b>\$ 420,742</b>

NON-CASH INVESTING ACTIVITIES (Note 4)

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**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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PURPOSE OF THE ACADEMY

Saint James Music Academy (the "Academy") was incorporated provincially under the British Columbia Societies Act 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

Cash consists of cash on hand.

(b) Financial instruments

Measurement

The Academy's financial instruments consist of cash, 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 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.



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**SAINT JAMES MUSIC ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Capital assets

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
Vehicle	5 years

Effective July 1, 2019, the Academy adopted Section 4433 "Tangible capital assets held by not-for-profit organizations", which replaces Section 4431 of the same name. The new section clarifies that not-for-profit organizations apply the requirements for componentization in Section 3061 "Property, Plant and Equipment", refines the guidance regarding the write-down of tangible capital assets and provides additional guidance on accounting for the cost of a contributed capital asset.

Adoption of the new section did not have any impact on the reported amounts of the Academy's capital assets.

The Academy's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the Academy's value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of revenue and expenses and are not reversed.

(d) Saint James Music Academy Endowment Fund

The assets of this fund are administered by the Vancouver Foundation and are not included as assets of the Foundation. Income earned on these assets accrues to the Foundation (see Note 7).

(e) 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.

Endowment income is recognized in the period when the endowment income is earned.

Deferred revenue represents restricted operating funding received in the current period that is related to a subsequent period or designated for a specific expense that has not yet occurred.

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

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**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Contributed services and materials

The Academy benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at the fair market value only when a realizable value of the related benefit can be reasonably estimated. 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) 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, revenue 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, measurement of deferred revenue, deferred contributions related to capital assets and accrued liabilities.

(h) Income taxes

The Academy is a registered charity under the Income Tax Act (Canada) 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 arising from these financial instruments except as described below. In addition, the Academy is not exposed to any material concentrations of risk and there has been no significant change in risk exposures from the prior year except as explained below:

Credit risk

Credit risk is the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Academy is not exposed to this risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Academy is exposed to this risk as it relates to its accounts payable. The COVID-19 health pandemic has impacted the timing of cash inflows from individual donors and foundations. The Academy pro-actively works with its funders and creditors to manage any disruption to its regular balance of working capital and anticipates that its cash reserves will adequately minimize liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Academy is not exposed to any of those risks.

**SAINT JAMES MUSIC ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Musical instruments	\$ 178,266	\$ 74,663	\$ 103,603	\$ 111,349
Computer equipment	13,317	11,443	1,874	4,076
Equipment and furniture	14,284	12,243	2,041	2,978
Vehicle	37,121	20,416	16,705	24,129
	\$ 242,988	\$ 118,765	\$ 124,223	\$ 142,532

During the year, donated musical instruments totaling \$10,079 (2019 - \$42,612) 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 music instruments and vehicle. These contributions are amortized at the same rate as the underlying assets.

	2020	2019
Balance at beginning of year	\$ 106,851	\$ 83,370
Contributions in kind received during the year (See Note 3)	10,079	42,612
Less: Amortized to revenue	(20,474)	(19,131)
	\$ 96,456	\$ 106,851

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, 2020, \$Nil (2019 - \$Nil) had been drawn on the credit facility.

6. BC GAMING GRANT

The Academy received a grant of \$100,000 (2019 - \$80,000) from the British Columbia Gaming Policy and Enforcement Branch (the "Branch"). The grant must be spent according to the rules of the Branch and are kept in a separate bank account. As at June 30, 2020 and 2019, all the funds had been spent.

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**SAINT JAMES MUSIC ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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7. SAINT JAMES MUSIC ACADEMY ENDOWMENT FUND

The Academy has established an endowment fund with the Vancouver Foundation, this fund is known as the Saint James Music Academy Fund.

The capital of the fund is held permanently by the Vancouver Foundation and the Academy receives the annual income from the fund. As the capital is not available to the Academy, the Vancouver Foundation endowment fund is not included as assets of the Academy in these financial statements.

Income from the endowment fund is disbursed at the discretion of the Vancouver Foundation and is designated, on a quarterly basis, to the Academy.

During the year, individuals contributed an amount of \$5,550 directly to the Vancouver Foundation specifically designated for the Saint James Music Academy Endowment Fund.

Interest income from the Vancouver Foundation of \$4,275 (2019 - \$2,693) is recorded as endowment income.

The assets of this fund have a historical cost of \$107,264 (2019 - \$101,714) and a fair market value of \$119,624 (2019 - \$109,625).

8. COVID-19 SUBSIDIES

The Academy made a claim for the Canada Emergency Wage Subsidy to the federal government for the period March 15 to June 30, 2020 and received an amount of \$85,577.

9. CONTRACTUAL OBLIGATIONS

a) St. James' Anglican Church

The current agreement expired June 30, 2020. The Academy and St. James' Anglican Church are in discussion to renew the lease agreement. On August 6, 2020, the Academy and St. James' Anglican Church renewed the agreement which allows the Academy to use space for its activities on a month to month basis for a maximum of three months. The Academy is committed to maintain the cleanliness and orderliness of the premises and to pay an amount of \$1,000 per month to the Church to cover janitorial costs, one half of the annual Church's recycling fee and other related expenses. This agreement expires September 30, 2020.

b) Roman Catholic Archbishop of Vancouver

The current agreement expired August 31, 2020. The Academy and the Roman Catholic Archbishop of Vancouver renewed the lease for the annex of St. Paul's Parish for a three year term effective from September 1, 2020 to August 31, 2023. The Archbishop of Vancouver offered the Academy a 25% discount on rent for the period March 2020 to February 2021. The Academy is expecting to make monthly rent payments of \$1,950 plus operating costs for the term of the lease for the period March 2020 to February 2021, and \$2,600 for the remainder of the lease.

Minimum payments under those agreements during the next five fiscal years are anticipated to be as follows:

2021	\$	31,232
2022	\$	33,432
2023		7,432
2024		2,232
2025		558

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**SAINT JAMES MUSIC ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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10. ECONOMIC DEPENDENCE

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

11. DISCLOSURE REQUIRED UNDER THE SOCIETIES ACT

On November 28, 2016, the British Columbia Societies Act 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 (2019 - \$Nil) to such directors, employees and contractors.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation. Such reclassification does not have any effect on the net assets or excess of revenue over expenses previously reported.

13. COVID-19 RISK

In March 2020 a global pandemic was declared due to the COVID-19 virus, which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian government regarding travel, business operations, and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 pandemic may have on the Academy is not determinable as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, and other countries to fight the virus. The Academy continues to monitor its operations and assess the impact COVID-19 will have on its activities.