
**CHILLIWACK ACADEMY OF MUSIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Chilliwack Academy of Music

We have reviewed the accompanying financial statements of Chilliwack Academy of Music (the Society) that comprise the statement of financial position as at June 30, 2020, and the statements of changes in net assets, revenues and expenses and cash flow 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 (ASNPO), 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Chilliwack Academy of Music as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Manning Elliott LLP

MANNING ELLIOTT LLP
Chartered Professional Accountants
Abbotsford, British Columbia
September 14, 2020

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

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 3,815	\$ 15,543
Accounts receivable	224	-
Prepaid expenses	1,822	3,191
	5,861	18,734
KNIGHT ROAD LEGACY RESERVE (Note 3)	204,969	204,969
INSTRUMENTS AND EQUIPMENT (Note 4)	120,069	126,538
PREPAID OCCUPANCY COST (Note 5)	182,123	186,676
	\$ 513,022	\$ 536,917
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 9,384	\$ 6,547
Deferred revenue (Note 7)	1,928	2,876
	11,312	9,423
DEFERRED DONATIONS (Note 8)	25,139	19,851
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	38,358	41,356
	74,809	70,630
KNIGHT ROAD LEGACY RESERVE (Note 3)	204,969	204,969
INVESTMENT IN CAPITAL ASSETS UNRESTRICTED	81,711	85,182
	151,533	176,136
	438,213	466,287
	\$ 513,022	\$ 536,917

Approved by the Board

_____ Director

_____ Director

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

	Knight Road Legacy Reserve	Invested in capital assets	Unrestricted	2020	2019
Net assets - beginning of year	\$ 204,969	\$ 85,182	\$ 176,136	\$ 466,287	\$ 484,767
Deficiency of revenue over expenses	-	(3,471)	(24,603)	(28,074)	(18,480)
Endowment contribution	-	-	-	-	-
Net assets - end of year	\$ 204,969	\$ 81,711	\$ 151,533	\$ 438,213	\$ 466,287

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
REVENUE		
Tuition fees	\$ 291,300	\$ 331,237
Community gaming grant	25,352	26,937
Contributions	9,080	11,263
Events	8,545	9,767
Scholarship and bursary donations	4,318	3,405
Amortization of deferred contributions <i>(Note 9)</i>	2,998	3,233
Registration and miscellaneous	384	1,705
	341,977	387,547
OPERATING EXPENSES		
Community service	270	1,470
Events	424	441
Occupancy costs	10,277	13,610
Scholarships and bursaries	7,534	7,087
Studio equipment	2,019	2,625
Teaching expenses	208,853	235,697
	229,377	260,930
GROSS PROFIT	112,600	126,617
ADMINISTRATIVE EXPENSES		
Advertising and promotion	10,401	13,210
Amortization	6,470	6,827
Bad debts	30	200
Insurance	5,560	4,242
Interest and bank charges	4,776	5,179
Office and miscellaneous	5,263	5,274
Professional fees	6,612	5,467
Telephone	1,573	2,374
Utilities	3,498	4,868
Wages and benefits	96,491	97,456
	140,674	145,097
DEFICIENCY OF REVENUES OVER EXPENSES FOR THE YEAR	\$ (28,074)	\$ (18,480)

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Deficiency of revenues over expenses for the year	\$ (28,074)	\$ (18,480)
Items not involving cash:		
Amortization	6,470	6,827
Bad debts	30	200
Amortization of deferred contributions	(2,998)	(3,233)
	(24,572)	(14,686)
Changes in non-cash working capital:		
Accounts receivable	(250)	-
Prepaid expenses and deposits	1,369	(729)
Prepaid occupancy costs	4,553	4,553
Accounts payable and accrued liabilities	2,832	209
Deferred revenue	(948)	(47,714)
Deferred donations	5,288	(498)
	12,844	(44,179)
	(11,728)	(58,865)
INVESTING ACTIVITY		
Investment in Knight Road Legacy Reserve	-	(204,969)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(11,728)	(263,834)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	15,543	279,377
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,815	\$ 15,543

**CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NATURE OF OPERATIONS

The Chilliwack Academy of Music (the "Society") is incorporated as a society under the Societies Act of British Columbia, and is a registered charity under the Federal Income Tax Act. The main purpose of the Society is to establish, develop and maintain a Community Music School for the benefit of the community and to provide music instruction, music programs, and musical opportunities for the citizens of the community.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

(b) Revenue recognition

The Society follows the deferral method of accounting for contributions for not-for-profit organizations.

Tuition revenue is recognized as the services are provided to students.

Contributions for the purchase of capital assets are amortized over the same period as the related assets.

(c) Contributed services

Volunteers contribute over 2,000 hours per year to assist Chilliwack Academy of Music in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) Amortization

Instruments and equipment is stated at cost less accumulated amortization which is recorded over the useful lives of the assets on the declining balance basis, pro-rated in the year of acquisition, at the following annual rates:

Computer equipment	20%
Computer software	20%
Musical Instruments	5%
Office equipment	10%

**CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(e) Use of estimates

The preparation of 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 the net recoverable value of assets, the value of donated assets, recognition of deferred revenue, and the amounts recorded as accrued liabilities.

(f) Financial instruments

i) Measurement

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and the Knight Road Legacy Reserve.

Financial liabilities measured at amortized cost include accounts payable.

ii) 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 net income. 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 net income in the period in which it is determined.

iii) Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(g) Allocation of administration expenses

The Society incurs a number of general support expenses that are common to the administration of the Society and its programs. Where shared or indirect costs relate to more than one activity, such as the administration of these programs, the Society allocates these costs to all of the activities. These costs include administrative personnel, occupancy costs, and other operating expenses not directly attributable to specific activities. These expenses are allocated by applying a percentage to direct costs of each activity. The percentages provided by management are based on averages established from historical analysis of the level of support applicable to each program.

**CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

2. FINANCIAL INSTRUMENTS

The Society's financial instruments are described in Note 1(f). In management's opinion the Society is not exposed to significant interest rate risk, foreign currency exchange rate risk, or credit risk arising from these financial instruments. In addition, the Society is not exposed to any material concentrations of risk and there has been no change in the risk exposures from the prior year.

3. KNIGHT ROAD LEGACY RESERVE

The restricted capital fund from the Knight Road Legacy Reserve was designated for the construction and/or outfitting of an orchestra room by the board on October 25th, 2015. The capital fund continues to be for the construction of an orchestra room, but the location is now in question, and talks with the City of Chilliwack have yet to determine the scope and date of the project.

The restricted capital fund has been deployed to the Vancouver Foundation. At this time it has been set aside by the Board as the project is time delayed.

4. INSTRUMENTS AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 4,867	\$ 4,867	\$ -	\$ -
Computer software	11,878	11,878	-	-
Office equipment	11,647	9,078	2,569	2,854
Musical Instruments	262,463	144,963	117,500	123,684
	\$ 290,855	\$ 170,786	\$ 120,069	\$ 126,538

5. PREPAID OCCUPANCY COST

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Prepaid Occupancy Cost	\$ 228,100	\$ 45,977	\$ 182,123	\$ 186,676

The City of Chilliwack has given the Society an occupancy permit in the Cultural Centre for 50 years or the life of the building, whichever is longer. The cost of the occupancy permit is amortized over 50 years, starting in 2011.

6. AVAILABLE LINE OF CREDIT

The Society has an unsecured line of credit with Envision Credit Union authorized up to \$10,000, bearing interest at the bank's prime rate plus 0.5% per annum. As at June 30, 2020 the Society had not withdrawn on this facility (2019 - \$Nil).

**CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

7. DEFERRED REVENUE

	2020	2019
Tuition and registration fees	\$ 1,928	\$ 2,876

8. DEFERRED DONATIONS

	General scholarship and bursaries	Lygo scholarship and bursaries	2020	2019
Deferred donations - beginning of year	\$ 19,104	\$ 747	\$ 19,851	\$ 20,349
Donations received	8,650	6,763	15,413	18,849
Bursaries and scholarships paid	(4,425)	(5,700)	(10,125)	(19,347)
	\$ 23,329	\$ 1,810	\$ 25,139	\$ 19,851

9. DEFERRED CAPITAL CONTRIBUTIONS

	2020	2019
Opening balance	\$ 41,356	\$ 44,589
Amortization of deferred contributions	(2,998)	(3,233)
	\$ 38,358	\$ 41,356

Deferred capital contributions relate to donations and other contributions which were designated by the donor and which have been used for the purchase of capital assets.

10. REMUNERATION TO DIRECTORS, EMPLOYEES AND CONTRACTORS

In accordance with the Societies Act of British Columbia, a publicly funded society is to disclose remuneration paid by the Society in excess of \$75,000 to employees and contractors. For the years ended June 30, 2020 and 2019 no employees or contractors received remuneration in excess of \$75,000. Additionally, publicly funded societies must disclose any remuneration paid to directors. For the years ended June 30, 2020 and 2019, the Society has not compensated any directors.

**CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

11. SUBSEQUENT EVENTS

Subsequent to year-end, the COVID-19 pandemic is causing significant financial and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Society was closed in April and May 2020 and offered classes in a limited capacity in June due to COVID-19 and were forced to issue refunds. The Society has reopened subsequent to year end offering online classes and are exploring the possibility of limited group lessons in the fall. The Society continues to monitor and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the Society is uncertain.