
CHILLIWACK ACADEMY OF MUSIC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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, 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, 2021, 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

December 16, 2021

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 95,096	\$ 3,815
Accounts receivable	10,508	224
Prepaid expenses	2,740	1,822
	108,344	5,861
KNIGHT ROAD LEGACY RESERVE (Note 3)	240,090	204,969
INSTRUMENTS AND EQUIPMENT (Note 4)	113,937	120,069
PREPAID OCCUPANCY COST (Note 5)	177,570	182,123
	\$ 639,941	\$ 513,022
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 10,444	\$ 9,384
Deferred revenue (Note 7)	16,230	1,928
	26,674	11,312
DEFERRED DONATIONS (Note 8)	24,177	25,139
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	35,577	38,358
LONG TERM DEBT (Note 10)	40,000	-
	126,428	74,809
KNIGHT ROAD LEGACY RESERVE (Note 3)	240,090	204,969
INVESTMENT IN CAPITAL ASSETS	78,360	81,711
UNRESTRICTED	195,063	151,533
	513,513	438,213
	\$ 639,941	\$ 513,022

Approved by the Board

Director

Director

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Knight Road Legacy Reserve	Investment in capital assets	Unrestricted	2021	2020
Net assets - beginning of year	\$ 204,969	\$ 81,711	\$ 151,533	\$ 438,213	\$ 466,287
Excess (deficiency) of revenue over expenses for the year	35,121	(3,351)	43,530	75,300	(28,074)
NET ASSETS - END OF YEAR	\$ 240,090	\$ 78,360	\$ 195,063	\$ 513,513	\$ 438,213

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
REVENUE		
Tuition fees	\$ 220,800	\$ 291,300
Government subsidies and grants (Note 12)	66,234	-
Community gaming grant	25,352	25,352
Amortization of deferred contributions (Note 9)	2,781	2,998
Contributions	303	9,080
Registration and miscellaneous	183	384
Scholarship and bursary donations	45	4,318
Events	-	8,545
	315,698	341,977
OPERATING EXPENSES		
Community service	-	270
Events	-	424
Occupancy costs	4,605	10,277
Scholarships and bursaries	8,194	7,534
Studio equipment	1,317	2,019
Teaching expenses	141,546	208,853
	155,662	229,377
GROSS PROFIT	160,036	112,600
ADMINISTRATIVE EXPENSES		
Advertising and promotion	1,045	10,401
Amortization	6,132	6,470
Bad debts	-	30
Insurance	3,520	5,560
Interest and bank charges	2,100	4,776
Office equipment	2,951	5,263
Professional fees	6,457	6,612
Telephone	1,749	1,573
Utilities	4,555	3,498
Wages and benefits	91,348	96,491
	119,857	140,674
OTHER INCOME		
Unrealized gain on Knight Road Legacy Reserve (Note 3)	35,121	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 75,300	\$ (28,074)

CHILLIWACK ACADEMY OF MUSIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 75,300	\$ (28,074)
Items not affecting cash:		
Amortization	6,132	6,470
Amortization of deferred contributions	(2,781)	(2,998)
Bad debts	-	30
Government subsidies and grants - CEBA loan forgiveness	(20,000)	-
Unrealized gain on Knight Road Legacy Reserve	(35,121)	-
	23,530	(24,572)
Changes in non-cash working capital:		
Accounts receivable	(10,284)	(250)
Prepaid expenses	(918)	1,369
Prepaid occupancy costs	4,553	4,553
Accounts payable and accrued liabilities	1,060	2,832
Deferred revenue	14,302	(948)
Deferred donations	(962)	5,288
	7,751	12,844
	31,281	(11,728)
FINANCING ACTIVITY		
Proceeds from long term debt	60,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	91,281	(11,728)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,815	15,543
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 95,096	\$ 3,815

CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 in accordance with Canadian generally accepted accounting principles.

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.

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.

Government subsidies and grants

Government subsidies and grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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.

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%

Impairment of long lived assets

(continues)

CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The Society records 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 capital asset no longer contributes to an organization's ability to provide goods and services or when the 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 operations and are not reversed.

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.

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 except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include 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.

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CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

2. FINANCIAL INSTRUMENTS

The Society's financial instruments are described in Note 1. 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 except as disclosed in Note 12.

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 of directors 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 and is invested in a consolidated trust fund. At this time it has been set aside by the board of the directors as the project is time delayed.

During the year, there was an increase of \$35,121 (2020 - \$Nil) in the market value of the restricted capital fund, which has been recognized in the financial statements as an unrealized gain.

4. INSTRUMENTS AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	\$ 4,867	\$ 4,867	\$ -	\$ -
Computer software	11,878	11,878	-	-
Office equipment	11,647	9,335	2,312	2,569
Musical instruments	262,463	150,838	111,625	117,500
	\$ 290,855	\$ 176,918	\$ 113,937	\$ 120,069

5. PREPAID OCCUPANCY COST

Cost	Accumulated	2021 Net book	2020 Net book
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CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. PREPAID OCCUPANCY COST *(continued)*

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
		amortization	value	value
Prepaid occupancy cost	\$ 228,100	\$ 50,530	\$ 177,570	\$ 182,123

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, 2021 the Society had not withdrawn on this facility (2020 - \$Nil).

7. DEFERRED REVENUE

	2021	2020
Tuition and registration fees	\$ 16,230	\$ 1,928

8. DEFERRED DONATIONS

	General scholarship and bursaries	Lygo scholarship and bursaries	2021	2020
Deferred donations - beginning of year	\$ 23,329	\$ 1,810	\$ 25,139	\$ 19,851
Donations received	9,058	12,840	21,898	15,413
Bursaries and scholarships paid	(21,388)	(1,472)	(22,860)	(10,125)
	\$ 10,999	\$ 13,178	\$ 24,177	\$ 25,139

Bursaries and scholarships paid from the Lygo fund of \$1,472 is net of \$7,125 in actual scholarships paid less a \$5,653 adjustment to reconcile the balance in deferred donations at year end.

9. DEFERRED CAPITAL CONTRIBUTIONS

	2021	2020
Opening balance	\$ 38,358	\$ 41,356
Amortization of deferred contributions	(2,781)	(2,998)
	\$ 35,577	\$ 38,358

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.

CHILLIWACK ACADEMY OF MUSIC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

10. LONG TERM DEBT

	2021	2020
Canada Emergency Business Account interest-free loan	\$ 60,000	\$ -
Less forgivable portion recognized in income	(20,000)	-
	\$ 40,000	\$ -

11. 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, 2021 and 2020 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, 2021 and 2020, the Society has not compensated any directors.

12. COVID-19

During and 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. As a result of the pandemic, the Society suspended in-person classes for part of 2020 and operated at a reduced capacity for part of 2021.

During the year, the Society received a \$60,000 non-interest bearing loan under the Canada Emergency Business Account ("CEBA") program. CEBA is intended to provide financing for operating costs. Repayment of any or all of the outstanding balance is not required before December 31, 2022, accordingly, the loan has been classified as long term. Repayment of the loan balance on or before December 31, 2022 will result in a loan forgiveness of 33% (up to \$20,000). Accordingly, \$20,000 has been recognized in government subsidies and grants revenue for the year. The loan is guaranteed by the Government of Canada.

During the year, the Society received a \$46,234 subsidy under the Canada Emergency Wage Subsidy ("CEWS") program. CEWS supports employers that have seen a drop in revenue by subsidizing payroll expenses. The revenue from this program is included in government subsidies and grants.

The Society continues to monitor and assess the impact COVID-19 will have on its business activities, including the risks discussed in Note 2. The extent of the effect of the COVID-19 pandemic on the Society is uncertain.