

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Financial Statements

June 30, 2020

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Index to Financial Statements

Year Ended June 30, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of Regent Park School of Music Foundation

Opinion

We have audited the financial statements of Regent Park School of Music Foundation (the "Foundation"), which comprise the statement of financial position as at June 30, 2020, and the statements of changes in net assets, operations 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 Foundation 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the 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 those 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.

(continues)

Independent Auditor's Report to the Members of Regent Park School of Music Foundation *(continued)*

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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 18, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Financial Position

As at June 30, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 409,554	\$ 127,194
Accounts receivable	-	5,343
Harmonized Sales Tax recoverable	4,732	6,285
Investments (Notes 4, 7, and 8)	<u>3,590,554</u>	<u>3,431,718</u>
	\$ 4,004,840	\$ 3,570,540
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,688	\$ 3,889
Due to Regent Park School of Music (Note 3)	50,702	16,885
Deferred revenues (Note 6)	<u>746,032</u>	<u>370,740</u>
	800,422	391,514
NET ASSETS		
UNRESTRICTED	83,877	1,822,485
INTERNALLY RESTRICTED (Note 7)	2,817,000	1,115,000
ENDOWMENT (Note 8)	<u>303,541</u>	<u>241,541</u>
	3,204,418	3,179,026
	\$ 4,004,840	\$ 3,570,540

APPROVED ON BEHALF OF THE BOARD

Sinda Javorska Director
Chris Byrnes Director

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Changes in Net Assets

Year Ended June 30, 2020

	Unrestricted	Internally Restricted	Endowment	2020	2019
BALANCE - BEGINNING OF YEAR	\$ 1,822,485	\$ 1,115,000	\$ 241,541	\$ 3,179,026	\$ 2,984,247
Excess (deficiency) of revenues over expenses	(39,608)	-	-	(39,608)	143,479
Contributions to endowment funds	-	-	65,000	65,000	51,300
Transfers <i>(Note 7)</i>	(1,699,000)	1,702,000	(3,000)	-	-
BALANCE - END OF YEAR	\$ 83,877	\$ 2,817,000	\$ 303,541	\$ 3,204,418	\$ 3,179,026

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

**Statement of Operations
Year Ended June 30, 2020**

	2020	2019
REVENUES		
Donations and fundraising <i>(Note 3)</i>	\$ 1,405,592	\$ 1,518,535
Investment income <i>(Note 4)</i>	154,106	110,851
Temporary Wage Subsidy <i>(Note 9)</i>	4,125	-
	<u>1,563,823</u>	<u>1,629,386</u>
EXPENSES		
Contributions to Regent Park School of Music <i>(Note 3)</i>	1,240,698	1,055,008
Salaries, benefits and fees	289,257	258,155
Fundraising	60,392	105,533
Office and general	9,550	6,478
Accounting and audit	3,534	8,733
Scholarships	-	52,000
	<u>1,603,431</u>	<u>1,485,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (39,608)</u>	<u>\$ 143,479</u>

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Statement of Cash Flows
Year Ended June 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (39,608)	\$ 143,479
Changes in non-cash working capital:		
Accounts receivable	5,343	7,965
Harmonized Sales Tax recoverable	1,553	(768)
Prepaid expenses	-	5,197
Accounts payable and accrued liabilities	(201)	(6,111)
Due to Regent Park School of Music	33,817	(19,869)
Deferred revenues	375,292	41,362
	<u>415,804</u>	<u>27,776</u>
Cash flows from operating activities	<u>376,196</u>	<u>171,255</u>
INVESTING ACTIVITY		
Increase in investments, net	<u>(158,836)</u>	<u>(542,857)</u>
FINANCING ACTIVITY		
Contributions received for endowments	<u>65,000</u>	<u>51,300</u>
INCREASE (DECREASE) IN CASH	282,360	(320,302)
CASH - BEGINNING OF YEAR	<u>127,194</u>	<u>447,496</u>
CASH - END OF YEAR	<u>\$ 409,554</u>	<u>\$ 127,194</u>

See the accompanying notes to these financial statements

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

1. ORGANIZATION AND OPERATIONS

Regent Park School of Music Foundation ("Foundation") is a not-for-profit organization incorporated without share capital on August 26, 2003 under the Canada Corporations Act. It commenced operations on March 31, 2005. The Foundation was continued under the Canada Not-for-Profit Corporations Act on October 7, 2014.

The objectives of the Foundation are to support Regent Park School of Music's ("School") current and future needs by fundraising and responsibly growing our investments.

The objectives of the School are to help Toronto youth, facing financial and other barriers, to thrive through high quality music education (*Note 3*).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor, including donations and fundraising are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Contributions to endowment funds are recorded as direct increases in net assets of the endowment funds.

Donated materials and services not normally purchased by the Foundation are not recorded in the accounts.

Interest, dividends, unit trust distributions and realized and unrealized gains and losses on investments during the year are reported in the statement of operations as investment income.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and due to Regent Park School of Music. Investments are subsequently measured at fair value based on broker's quotes (*Note 4*).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

3. RELATIONSHIP WITH REGENT PARK SCHOOL OF MUSIC

On August 26, 2003, the Board of Directors of the Regent Part School of Music (the "School") incorporated the Foundation to conduct certain fundraising activities and programs. In 2014, the Foundation commenced taking on substantially all fundraising efforts, including the annual fundraiser, CRESCENDO.

The Foundation raises funds to cover most of the operating expenses of the School, in addition to funds for scholarships, long-term capital and other projects, and to ensure the long-term viability of the School.

Contributions to the School are measured at the exchange amount agreed between the two organizations and are approved by their respective Boards of Directors.

4. INVESTMENTS

Investments are stated at fair value based on market prices and consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Fixed income	\$ 1,895,269	\$ 1,864,432
Equities	761,112	1,062,118
Cash and cash equivalents	692,874	245,836
Preferred equities	241,299	259,332
	<u>\$ 3,590,554</u>	<u>\$ 3,431,718</u>

The Foundation holds investments in exchange traded and other mutual funds that in turn hold underlying investments in equities, balanced and fixed income securities and precious metals. The Foundation's investment objective is to manage investment assets to generate total returns consistent with the Foundation's objectives and within its defined investment risk tolerance, to protect purchasing power of capital and establish a reserve for future market declines. Investment income during the year is detailed as follows:

	<u>2020</u>	<u>2019</u>
Interest, dividends, and other distributions	\$ 65,005	\$ 74,008
Increase in fair value	89,101	36,843
	<u>\$ 154,106</u>	<u>\$ 110,851</u>

5. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and deposits held in a Canadian financial institution. Cash balances are sufficient to meet accounts payable and other financial liabilities as they come due.

The Foundation is exposed to interest rate, currency, credit and other price risk arising from its investments. The Foundation mitigates these risks with an investment policy that requires regular monitoring of performance, with a view to balancing 'reasonable investor' objectives with the needs and directions of the Foundation, while considering the short and long term expectations of the School and donors, all within the context of complying with applicable fiscal requirements. There were no significant changes or concentrations in risks during the year.

It is management's opinion that the Foundation is not exposed to significant liquidity risk arising from these financial instruments.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

6. DEFERRED REVENUES

The continuity of deferred revenues is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 370,740	\$ 329,378
Add: amounts received during the year	855,772	465,980
Less: amounts recognized as revenues during the year	<u>(480,480)</u>	<u>(424,618)</u>
Balance, end of year	<u>\$ 746,032</u>	<u>\$ 370,740</u>

At June 30, the deferred revenues consists of the following:

Donations for subsequent year programming	\$ 690,584	\$ 330,980
John Adams/Grant Thornton Fund*	35,260	39,760
The Dr. Gerald Cohen Woodwinds Scholarship Fund**	<u>20,188</u>	<u>-</u>
	<u>\$ 746,032</u>	<u>\$ 370,740</u>

*In 2013, the Foundation received \$64,510 in contributions for the John Adams/Grant Thornton Fund.

Contributions from this Fund are available over a period of 20 years to the Foundation to support any of the following specific activities of the School:

- Group lessons subsidy;
- Instruments and supplies purchases;
- Royal Conservatory of Music exam fees; and
- Ensembles.

The availability of this Fund over the 20 year period is restricted as follows:

- \$4,250 per year for Years 1 to 5, starting in 2014;
- \$4,500 per year for Years 6 to 10;
- \$4,750 per year for Years 11 to 15; and
- \$5,000 per year for Years 16 to 20.

At the end of 20 years, the residual balance is available for operations, at the discretion of the Board of Directors.

**In 2020, the Foundation received \$20,188 in contributions for The Dr. Gerald Cohen Woodwinds Scholarship Fund.

Contributions from this Fund are available over a period of 20 years to the Foundation to provide one selected RPSM student studying woodwind instruments \$1,000 per year, to offset the costs of the RPSM music education for such student.

At the end of 20 years, the residual balance is available for operations, at the discretion of the Board of Directors.

REGENT PARK SCHOOL OF MUSIC FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

7. INTERNALLY RESTRICTED NET ASSETS

In 2014, the Board of Directors established an internally restricted Strategic Initiatives Fund, to be used to advance the priorities and goals expressed in the Foundation's and the School's Strategic Plans, to strengthen existing music programs and support new projects and expansion into new areas. The balance of this internally restricted fund is determined by the Board on an annual basis, based on the current strategic initiatives.

In 2020, the Board of Directors established a second internally restricted fund, the Operating Reserve Fund. This Fund's level is based on the equivalent of 12 months' annual operating costs and will ensure that funds continue to be available to support operations of the Foundation and the School during the uncertain economic times. The level of the reserve is reviewed by the Board of Directors on an annual basis.

The balance of both the internally restricted funds are supported by investments.

8. ENDOWMENT NET ASSETS

The endowment net assets are subject to externally imposed restrictions stipulating that the donated capital be maintained for a minimum period of time. Investment income earned on the donated capital is unrestricted and is recognized as investment income on the statement of operations.

The cumulative balance of donated capital for each of the endowments at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
The Bryant Darville Bursary Fund	\$ 65,000	\$ 53,000
The Wayne Strongman Voice Scholarship Fund	122,728	72,728
The Oskar Morawetz Scholarship Fund	42,890	42,890
The Stan Witkin Scholarship Fund	15,000	15,000
The Evelyn and Aser Rothstein Woodwind Scholarship Fund	27,923	27,923
The Evelyn Rothstein Piano Scholarship Fund	30,000	30,000
	<u>\$ 303,541</u>	<u>\$ 241,541</u>

The balance of the endowment funds is supported by investments.

9. SIGNIFICANT EVENTS

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the Foundation in future periods. The Foundation continues to closely monitor and assess the impact on operations.

As part of the response to COVID19, the federal government introduced the 10% Temporary Wage Subsidy to assist employers whose activities have been affected by COVID19. For the period of March 16 to June 19, 2020, the Organization applied for and received the 10% Temporary Wage Subsidy in the amount of \$4,125.