

**DRAFT** Financial Statements of

**VANCOUVER ADAPTED  
MUSIC SOCIETY**

And Independent Practitioners' Review Engagement  
Report thereon

Year ended December 31, 2021

## **INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT**

To the Board of Directors of Vancouver Adapted Music Society

We have reviewed the accompanying financial statements of Vancouver Adapted Music Society, which comprise the statement of financial position as at December 31, 2021, the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and 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 non-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.

### *Practitioners' 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.

*Basis for Qualified Conclusion*

In common with many not-for-profit organizations, Vancouver Adapted Music Society derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Vancouver Adapted Music Society. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2021 and December 31, 2020, any adjustments might be necessary to donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations, excess (deficiency) of revenue and expenses reported in the statements of change in net assets and statements of cash flows and current assets, deferred contributions and deficiency in net assets reported in the statements of financial position. This caused us to qualify our review conclusion on the financial statements as at and for the year ended December 31, 2020.

*Qualified Conclusion*

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph, 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 Vancouver Adapted Music Society as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**DRAFT**

Chartered Professional Accountants

Vancouver, Canada

# VANCOUVER ADAPTED MUSIC SOCIETY

Statement of Financial Position

**DRAFT**

December 31, 2021

(Unaudited)

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 56,316	\$ 155,747
Restricted cash (community gaming) (note 3)	3,768	2,549
Accounts receivable	2,747	6,160
	<u>62,831</u>	<u>164,456</u>
Due from related party (note 11)	40,000	-
Capital assets (note 5)	30,273	27,142
	<u>\$ 133,104</u>	<u>\$ 191,598</u>

## Liabilities and Net Assets

Current liabilities:		
Deferred contributions (note 6)	\$ 37,323	\$ 96,679
	<u>37,323</u>	<u>96,679</u>
Due from related party (note 11)	-	12,848
Deferred capital contributions (note 7)	13,234	6,349
Canada Emergency Business Account loan (note 8)	37,470	35,115
	<u>88,027</u>	<u>150,991</u>
Net assets:		
Unrestricted	28,038	19,814
Invested in capital assets (note 9(a))	17,039	20,793
	<u>45,077</u>	<u>40,607</u>
Economic dependence (note 12)		
	<u>\$ 133,104</u>	<u>\$ 191,598</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

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# VANCOUVER ADAPTED MUSIC SOCIETY

Statement of Operations

**DRAFT**

Year ended December 31, 2021, with comparative information for 2020

(Unaudited)

	2021	2020
Revenue:		
Donations (note 11)	\$ 106,531	\$ 29,476
Community gaming grant (note 6)	76,781	70,691
Government grants	130,394	7,136
Interest income (note 4)	14,448	14,358
Other government funding (note 10)	36,562	47,091
Other income	3,278	-
Amortization of deferred capital contributions	5,037	1,326
	373,031	170,078
Expenses (note 11):		
Advertising	654	4,419
Amortization	10,482	6,912
Bank charges	3,339	2,419
Contractors and coordinators	7,976	2,287
Insurance	5,230	4,089
Office	5,121	5,258
Professional fees	154,936	8,674
Program expense	7,006	1,892
Rent	22,103	11,602
Salaries and benefits	148,779	114,520
Technology	2,803	1,999
Travel	132	1,134
	368,561	165,205
Excess of revenue over expenses	\$ 4,470	\$ 4,873

See accompanying notes to financial statements.

# VANCOUVER ADAPTED MUSIC SOCIETY

Statement of Changes In Net Assets

**DRAFT**

Year ended December 31, 2021, with comparative information for 2020

(Unaudited)

	Invested in capital assets (note 9)		Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 20,793	\$ 19,814	\$ 40,607	\$ 35,734	
Excess of revenue over expenses	(5,445)	9,915	4,470	4,873	
Net change in invested in capital assets	1,691	(1,691)	-	-	
Balance, end of year	\$ 17,039	\$ 28,038	\$ 45,077	\$ 40,607	

See accompanying notes to financial statements.

# VANCOUVER ADAPTED MUSIC SOCIETY

Statement of Cash Flows

**DRAFT**

Year ended December 31, 2021, with comparative information for 2020

(Unaudited)

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 4,470	\$ 4,873
Items not involving cash:		
Amortization of capital assets	10,482	6,912
Amortization of deferred capital contributions	(5,037)	(1,326)
Interest on Canadian Emergency Business Account Loan	2,355	1,235
Deferred assistance recognized on Canadian Emergency Business Account Loan	(2,355)	(1,235)
	<u>9,915</u>	<u>10,459</u>
Changes in non-cash operating working capital:		
Restricted cash (community gaming)	(1,219)	(1,509)
Accounts receivable	3,413	(2,130)
Due from/to related party	(52,848)	6,848
Deferred contributions	(57,001)	87,754
	<u>(97,740)</u>	<u>101,422</u>
Financing:		
Receipt of capital contributions	11,922	5,104
Proceeds from Canada Emergency Business Account loan	-	40,000
	<u>11,922</u>	<u>45,104</u>
Investing:		
Purchase of capital assets	(13,613)	(5,104)
Increase (decrease) in cash	(99,431)	141,422
Cash, beginning of year	155,747	14,325
Cash, end of year	<u>\$ 56,316</u>	<u>\$ 155,747</u>
Non-cash transactions:		
Capital assets financed with capital contributions	<u>\$ 11,922</u>	<u>\$ 5,104</u>

See accompanying notes to financial statements.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements

**DRAFT**

Year ended December 31, 2021

(Unaudited)

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## 1. Nature of operations:

Vancouver Adapted Music Society (the “Society”) was incorporated on April 11, 1988, and is registered under the registered under the Societies Act (British Columbia). The Society is a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The purpose of the Society is to supports and promotes musicians with physical disabilities in Metro Vancouver. The Society is related to affiliated charitable entities through common management and receives services and contributions from these entities in the normal course of operations (note 11).

### *Impact of COVID-19:*

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market impact globally, domestically, and locally on jurisdictions in which the Society operates.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate on the financial effect on the Society is not practicable at this time. The situation presents uncertainty over future cash flows, may cause significant changes to the assets and liabilities, and may have an impact on future operations. The Society continues to closely monitor the impact of its financial implications and will be adjusting its operations as required to enhance continuity of operations.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the significant accounting policies described hereafter:

### (a) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Contributions include donations, community gaming grant, and government grants. Restricted non-capital contributions are initially deferred and then recognized as revenue in the period in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on capital assets. Deferred capital contributions, including contributed capital assets, are amortized to revenue on the same basis as the related capital assets are amortized.



# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

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## 2. Significant accounting policies (continued):

### (a) Revenue recognition:

Government assistance in the form of a forgivable loan is accounted for in the same manner as a grant.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received is reasonably assured.

### (b) Capital assets:

Capital assets are initially recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. The Society reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Society's ability to provide services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

Capital assets are amortized using the declining balance basis and the following annual rates:

Asset	Rate
Music studio	30%
Furniture and equipment	20%
Computers	30%
Musical instruments	20%

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### (c) Contributed materials and services:

The Society recognizes contributions of goods, services or gifts in kind when a fair value can be reasonably estimated and the goods or services are used in the normal course of the Society's operations and would otherwise have been purchased.

The fair value of volunteer hours and services is not recognized as they cannot be reasonably estimated.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

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## 2. Significant accounting policies (continued):

### (d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### (e) Allocation of expenses:

The Society shares office space and certain administrative resources with other affiliated charitable entities.

Common shared costs, such as fundraising expenses, administration, program expenses office, rent and telephone expenses are incurred allocated and charged to the respective affiliated charitable entities, including the Society, based on an allocation of estimated full-time equivalent employee workload attributable to each affiliated charitable entity.

Certain salaries and benefits are allocated and charged as a management fee to the respective affiliated charitable entities, including the Society, based on an allocation of estimated full-time equivalent employee workload attributable to each affiliated charitable entity.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

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### 3. Restricted cash (community gaming):

Restricted cash (community gaming) relates to cash held in a separate bank account for unexpended gaming receipts which are restricted in their use by license applications.

### 4. Vancouver Foundation restricted funds:

The Society receives income from restricted funds in the Vancouver Adapted Music Society Endowment Fund held at the Vancouver Foundation. The Society's rights to the capital have certain restrictions as the amounts remain with Vancouver Foundation in perpetuity, and are managed by the Vancouver Foundation with the income flowing to the Society. Accordingly, these funds are not reflected in these financial statements.

Funds held at the Vancouver Foundation for which the Society is the sole recipient of the income have a market value as at December 31, 2021 of approximately \$418,040 (2020 - \$387,371).

During the year ended December 31, 2021 the Society received income from these funds of \$14,448 (2020 - \$14,358) which is recorded as interest income in the statement of operations.

### 5. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Music studio	\$ 53,925	\$ 36,548	\$ 17,377	\$ 17,239
Furniture and fixtures	4,817	4,804	13	13
Computers	11,588	7,099	4,489	1,445
Musical instruments	80,592	72,198	8,394	8,445
	<u>\$ 150,922</u>	<u>\$ 120,649</u>	<u>\$ 30,273</u>	<u>\$ 27,142</u>

### 6. Deferred contributions:

Deferred contributions are comprised primarily of community gaming funds and funds restricted for specific purposes.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

## 6. Deferred contributions (continued):

	Gaming	Government grant	Other	Total 2021	Total 2020
Balance, beginning of year	2,549	42,478	51,652	96,679	4,040
Amounts received during the year	78,000	100,043	27,000	205,043	185,032
Amounts recognized as revenue in the year	(76,781)	(118,922)	(56,774)	(252,477)	(87,289)
Amounts spent on capital assets and transferred to deferred capital contributions (note 7)	-	-	(11,922)	(11,922)	(5,104)
Balance, end of year	3,768	23,599	9,956	37,323	96,679

## 7. Deferred capital contributions:

The Society receives grants and contributions towards music equipment. Changes in deferred capital contributions are as follows:

	2021	2020
Balance, beginning of year	\$ 6,349	\$ 2,571
Restricted capital contributions spent during the year	11,922	5,104
Amounts recognized as revenue during the year	(5,037)	(1,326)
Balance, end of year	\$ 13,234	\$ 6,349

## 8. Canada Emergency Business Account loan:

During the year ended December 31, 2020, the Society received a Canada Emergency Business Account ("CEBA") loan of \$60,000 from Bank of Montreal.

Up to \$20,000 of the CEBA loan will be forgiven provided the outstanding balance is paid on or before December 31, 2023. As the Society intends to repay the loan before December 31, 2023 the \$20,000 that will be forgiven is deemed to be government assistance and has been recognized in other government funding in the statement of operations.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

## 8. Canada Emergency Business Account loan (continued):

The remaining \$40,000 of the CEBA loan carries 0% interest and no minimum monthly principal payments are required. This portion of the CEBA loan is initially measured at fair value, discounted at a market rate of interest, of \$33,380 and subsequently measured at amortized cost. The benefit of the CEBA loan at below-market interest rate is accounted for as deferred government assistance and initially measured at \$6,120, and subsequently recognized with the related interest expense.

During the year ended December 31, 2021, interest expense on the CEBA loan was \$2,355 (2020 - \$1,235), with corresponding recognition of other government funding of \$2,355 (2020 - \$1,235). As at December 31, 2021, the carrying value of the CEBA loan is \$37,470 (2020 - \$35,115) and the remaining deferred government assistance benefit is \$2,530 (2020 - \$4,885) is included in other deferred contributions.

## 9. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 30,273	\$ 27,142
Amounts financed by deferred capital contributions	(13,234)	(6,349)
	\$ 17,039	\$ 20,793

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Excess of revenue over expenses:		
Amortization of deferred capital contributions	\$ 5,037	\$ 1,326
Amortization of capital assets	(10,482)	(6,912)
	(5,445)	(5,586)
Net change in invested in capital assets:		
Purchase of capital assets	13,613	5,104
Capital assets financed by capital contributions	(11,922)	(5,104)
	1,691	-
	\$ (3,754)	\$ (5,586)

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2021

(Unaudited)

## 10. Other government funding:

	2021	2020
Canada Emergency Wage Subsidy (a)	\$ 31,638	\$ 25,856
Canada Emergency Business Account (note 8)	2,355	21,235
Canadian Recovery Hiring Program (b)	2,569	-
	\$ 36,562	\$ 47,091

(a) Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist organizations who experienced a drop in revenue based on certain eligibility criteria. During the year ended December 31, 2021, government assistance for CEWS totaled \$31,638 (2020 - \$25,856) was recognized as other government funding in the statement of operations.

(b) Due to the COVID-19 pandemic, the Canadian government introduced the Canada Recovery Hiring Program ("CRHP") to assist organizations in hiring new employees and increasing existing employees' wages or hours. During the year ended December 31, 2021, \$2,569 (2020 - nil) for CRHP was recognized as other government funding in the statement of operations. As at December 31, 2021, \$2,569 (2020 - nil) was accrued in accounts receivable for CRHP not yet claimed or received.

## 11. Related party transactions and balances:

During the year ended December 31, 2021, the Society received funding of \$35,596 (2020 - \$7,331) from Sam Sullivan Disability Foundation ("SSDF"), an affiliated charitable entity, which is recorded in donation revenue. In addition, the Society paid management fees of \$61,752 (2020 - \$50,226), which is recorded in salaries and benefits expense, and shared expenses of \$37,356 (2020 - \$38,137), which is recorded in their respective expense accounts, to SSDF. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 12. Economic dependence:

The Society is economically dependent on funding arrangements with SSDF and the annual community gaming grant. The Society relies on SSDF for additional funding when there are funding shortfalls or cash flow issues.

# VANCOUVER ADAPTED MUSIC SOCIETY

Notes to Financial Statements (continued)

***DRAFT***

Year ended December 31, 2021

(Unaudited)

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## **13. Financial instruments and financial risk:**

### (a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligation on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating and cash flow requirements. There has been no change to the risk exposures from 2020.

In management's opinion, the Society is not exposed to significant interest rate, credit or currency market or other price risks related to its financial instruments.