

THE CANADIAN HERITAGE ARTS SOCIETY

FINANCIAL STATEMENTS

June 30, 2022

THE CANADIAN HERITAGE ARTS SOCIETY

Statement of Financial Position As at June 30,

	2022	2021
Assets		
Current		
Cash	\$ 215,748	\$ 535,837
Restricted cash (Note 3)	149,522	143,523
Accounts receivable	61,890	18,273
Tuition accounts receivable	24,063	174,672
GST receivable	4,668	5,757
Inventory	-	2,110
Prepaid expenses	<u>13,745</u>	<u>11,469</u>
	469,636	891,641
Tangible capital assets (Note 4)	<u>143,745</u>	<u>166,366</u>
	<u>\$ 613,381</u>	<u>\$ 1,058,007</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 86,252	\$ 79,105
Government remittances payable	453	408
Deferred revenue	138,457	169,441
Unearned tuition	-	207,268
Current portion of lease obligation (Note 5)	<u>3,139</u>	<u>2,992</u>
	228,301	459,214
Non current		
Canada Emergency Business Account (Note 12)	40,000	40,000
Lease obligation (Note 5)	<u>4,427</u>	<u>7,566</u>
	<u>272,728</u>	<u>506,780</u>
Internally restricted (Note 6):		
Facility fund	120,000	120,000
Student assistance fund	29,522	23,523
Invested in capital assets	136,179	155,811
Unrestricted	<u>54,952</u>	<u>251,893</u>
	<u>340,653</u>	<u>551,227</u>
Commitments (Note 10)		
Impact of COVID - 19 (Note 12)		
	<u>\$ 613,381</u>	<u>\$ 1,058,007</u>

Approved by the Directors

_____ Director

_____ Director

See accompanying notes to financial statements

THE CANADIAN HERITAGE ARTS SOCIETY

Statement of Operations For the year ended June 30

	2022	2021
Revenue		
Tuition	\$ 571,408	\$ 532,089
Government grants (Note 7)	458,614	580,202
Events & other operating revenue	147,144	167,131
Fundraising	104,359	257,309
Government subsidies (Note 12)	42,315	185,587
Individual donations	28,405	59,610
Loan forgiveness (Note 12)	-	20,000
	<u>1,352,245</u>	<u>1,801,928</u>
Expenses		
Payroll and contract fees	1,020,530	1,031,497
Facility	179,815	184,697
Artistic	143,092	160,548
General and administration	61,163	70,438
Amortization	60,617	47,425
Education services	34,490	37,224
Insurance, licences and dues	20,039	17,789
Marketing	18,016	17,424
Interest and bank charges	11,664	12,692
Development and fundraising	6,330	4,611
Donations to endowment funds	6,249	28,237
Interest on lease liability	443	589
Travel	371	386
	<u>1,562,819</u>	<u>1,613,557</u>
(Deficiency) excess of revenue over expenses	<u>\$ (210,574)</u>	<u>\$ 188,371</u>

See accompanying notes to financial statements

THE CANADIAN HERITAGE ARTS SOCIETY

Statement of Changes in Net Assets For the year ended June 30

	Internally restricted facility fund	Internally restricted student assistance fund	Invested in capital assets	Unrestricted	2022	2021
Balance, beginning of year	\$ 120,000	\$ 23,523	\$ 155,811	\$ 251,893	\$ 551,227	\$ 362,856
(Deficiency) excess of revenue over expenses	-	-	(60,712)	(149,862)	(210,574)	188,371
Investment in tangible capital assets	-	-	38,088	(38,088)	-	-
Principal repayment of lease obligation	-	-	2,992	(2,992)	-	-
Net asset transfers	-	5,999	-	(5,999)	-	-
Balance, end of year	<u>\$ 120,000</u>	<u>\$ 29,522</u>	<u>\$ 136,179</u>	<u>\$ 54,952</u>	<u>\$ 340,653</u>	<u>\$ 551,227</u>

See accompanying notes to financial statements

THE CANADIAN HERITAGE ARTS SOCIETY

Statement of Cash Flows For the year ended June 30

	2022	2021
Operating activities		
(Deficiency) excess of revenue over expenses	\$ (210,574)	\$ 188,371
Add charge to operations not requiring a current cash payment:		
Amortization	60,617	47,425
Loan forgiveness	-	(20,000)
Loss in disposal of tangible capital assets	92	858
	<u>(149,865)</u>	<u>216,654</u>
Net change in non-working capital balances related to operations:		
Accounts receivable	(43,617)	33,886
Tuition accounts receivable	150,609	71,185
GST receivable	1,089	4,603
Inventory	2,110	469
Prepaid expenses	(2,276)	(1,584)
Accounts payable and accrued liabilities	7,147	(12,031)
Government remittances payable	45	(39)
Deferred revenue	(30,984)	(112,050)
Unearned tuition	(207,268)	(70,087)
	<u>(273,010)</u>	<u>131,006</u>
Financing activities		
Repayment of lease obligation	(2,992)	(3,535)
Proceeds from Canada Emergency Business Account	-	60,000
	<u>(2,992)</u>	<u>56,465</u>
Investing activities		
Acquisitions of tangible capital assets	<u>(38,088)</u>	<u>(149,556)</u>
Net (decrease) increase in cash	(314,090)	37,915
Cash, beginning of year	<u>679,360</u>	<u>641,445</u>
Cash, end of year	<u>\$ 365,270</u>	<u>\$ 679,360</u>
Cash consists of:		
Cash	\$ 215,748	\$ 535,837
Restricted cash	<u>149,522</u>	<u>143,523</u>
	<u>\$ 365,270</u>	<u>\$ 679,360</u>

See accompanying notes to financial statements

THE CANADIAN HERITAGE ARTS SOCIETY

Notes to the Financial Statements Year ended June 30, 2022

1. Purpose of the organization

The Canadian Heritage Arts Society (the "Society") is an organization created to raise the aesthetic taste and artistic appreciation of the public at large through the medium of public performances and exhibitions and to promote heritage, arts, and culture. The Society provides instruction and training in performing arts through The Canadian College of Performing Arts (the "College"), an accredited college managed by the Society. The Canadian Heritage Arts Society is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant accounting policies

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities and disclosure of contingent assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates. Items subject to estimation include allowance for doubtful accounts, prepaid expenses, accrued liabilities, amortization of tangible capital assets, which have been made using careful judgement. Actual results could differ from the estimates.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value.

(b) Tangible capital assets

Tangible capital assets purchased are stated at cost and tangible capital assets contributed are recorded at fair value where determinable. Tangible capital assets are amortized on a straight line basis over their estimated useful lives using the annual rates set out in note 4.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(c) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions, including those received for the purchase of tangible capital assets, are recognized as revenue in the period in which the related expenditures are incurred. Unrestricted contributions and revenues, including government grants, fundraising, and donations, are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Gifts in kind of assets are recorded at their estimated fair market value on date of receipt. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

THE CANADIAN HERITAGE ARTS SOCIETY

Notes to the Financial Statements Year ended June 30, 2022

2. Significant accounting policies, continued

(d) Tuition accounts receivable and unearned tuition

The Society initially records a tuition accounts receivable when a student signs a contract, with the related obligation for the Society to provide services recorded as unearned tuition. This unearned tuition consists of tuition revenue and student tuition deposits, and is recognized as revenue during the school year to which it relates. If amounts are not reasonably assured of collection, they are reversed and the tuition accounts receivable and unearned tuition are reduced accordingly.

(e) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value. The entity subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, tuition accounts receivable, and restricted cash. Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities, and lease obligation.

(f) Impairment

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.

(g) Transaction costs

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

3. Restricted cash

The balance represents the total of the internally restricted funds described in note 6 to be used specifically for those funds.

THE CANADIAN HERITAGE ARTS SOCIETY

Notes to the Financial Statements Year ended June 30, 2022

4. Tangible capital assets

	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2022 Net</u>	<u>2021 Net</u>
Computer equipment	25%	\$ 83,027	\$ 47,758	\$ 35,269	\$ 46,699
Flooring	20%	46,479	42,971	3,508	8,481
Furniture and equipment	20%	72,794	68,077	4,717	9,633
Leasehold improvements	20%	156,614	86,473	70,141	50,946
Lighting	20%	80,459	56,841	23,618	30,681
Musical instruments	25%	14,782	13,644	1,138	1,843
Software	50%	36,505	32,531	3,974	11,921
Equipment under capital lease	25%	<u>24,249</u>	<u>22,869</u>	<u>1,380</u>	<u>6,162</u>
		<u>\$ 514,909</u>	<u>\$ 371,164</u>	<u>\$ 143,745</u>	<u>\$ 166,366</u>

During the year, the Society recorded \$4,782 of amortization (2021 - \$6,062) on equipment under capital lease.

5. Capital lease obligation

	<u>2022</u>	<u>2021</u>
Capital lease obligation payable to RCA Leasing Inc. expiring October 2, 2024, with monthly payments of \$286 including interest at 4.82% per annum.	\$ 7,566	\$ 10,558
Less current portion	<u>3,139</u>	<u>2,992</u>
Due beyond one year	<u>\$ 4,427</u>	<u>\$ 7,566</u>
Future minimum lease payments are as follows:		
2023	\$ 3,434	
2024	3,434	
2025	<u>1,147</u>	
Total minimum lease payments	8,015	
Less amount representing interest	<u>449</u>	
Balance of the obligation	<u>\$ 7,566</u>	

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Notes to the Financial Statements Year ended June 30, 2022

6. Internally restricted funds

On approval by the Board of Directors, funds may be internally restricted for specific purposes. Any changes or use of the internally restricted funds must also be approved by the Board of Directors. As at June 30, 2022, funds established by the society as internally restricted include:

Facility Fund

The balance represents internally restricted funds for the purpose of large scale enhancements to the current College facilities, or for the purchase and enhancement of new College facilities. The use of these funds may include expenses for the running of a capital campaign related to the enhancement of the College's current facilities, or the purchase and enhancement of new facilities.

Student Assistance Fund

The balance represents internally restricted funds for the purpose of student aid in the event that a student is experiencing unexpected financial difficulties due to large unforeseen events (i.e. excessive medical bills, a death in the family).

The balance in the student assistance fund is not to exceed \$40,000 at the end of a fiscal year. Any funds in excess of this amount are to be released into unrestricted funds with the intention of them being used towards student scholarships and bursaries in the following year.

7. Government grants

Government grants include:

	<u>2022</u>	<u>2021</u>
Government of Canada		
Department of Canadian Heritage (Canada Arts Training Fund)	\$ 325,001	\$ 406,250
Canada Cultural Spaces Fund Program	12,404	10,313
Canada Summer Jobs Program	13,209	13,659
Province of BC		
Gaming Policy and Enforcement Branch	-	80,000
British Columbia Arts Council	<u>108,000</u>	<u>70,000</u>
	<u>\$ 458,614</u>	<u>\$ 580,222</u>

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Notes to the Financial Statements Year ended June 30, 2022

8. Endowment funds

Three hosted endowment funds for the benefit of the Society are held with the Victoria Foundation. The funds are managed for the benefit of the Society and are held permanently. The funds earn investment income in accordance with the Investment Policy of the Victoria Foundation and distributions from the funds are determined by the Distribution Policy of the Victoria Foundation and the initial provisions by which property is donated.

Fund balances at market values are:

	<u>2022</u>	<u>2021</u>
The Canadian College of Performing Arts Fund	\$ 252,980	\$ 226,979
Legacy Scholarship Fund for The Canadian College of Performing Arts	233,105	250,628
Betty Wilkinson Fund for The Canadian College of Performing Arts	<u>35,051</u>	<u>37,798</u>
	<u>\$ 521,136</u>	<u>\$ 515,405</u>

9. Remuneration

Under the British Columbia Societies Act, there is a requirement to disclose the remuneration paid to all directors, to the highest paid employees who are paid at least \$75,000 annually, and to all contractors who are paid at least \$ 75,000 annually.

For the fiscal year ending June 30, 2022, the Society paid remuneration of \$203,991 to two employees. For the fiscal year ending June 30, 2021, the Society paid remuneration of \$98,215 to one employee.

10. Commitments

The Society operates in leased premises. The current lease runs from June 1, 2018 to May 31, 2023; rent is \$5,250 for July 2021 - August 2021, \$12,050 for September 2021 - April 2022, and \$5,400 for May 2022 - June 2022. These payments continue to increase over the term of the lease. Net minimum lease payments to expiry are:

2023	<u>\$ 111,300</u>
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Notes to the Financial Statements Year ended June 30, 2022

11. Financial instruments

The Society's financial instruments consist of cash, accounts receivable, tuition accounts receivable, restricted cash, and accounts payable and accrued liabilities, and lease obligation.

It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from its financial instruments. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to risk exposures from 2021.

12. Impact of COVID - 19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus COVID-19. The situation is constantly evolving, and the measures put in place have multiple impacts on local, provincial, national, and global economies. The operations of the College have had to be significantly changed as a result of the pandemic, as have the related safety guidelines for students, faculty, staff and members of the public.

Both our Board of Directors and the management team of the CCPA are closely monitoring the ongoing situation. Since March 2020, the methods and location of teaching have been reviewed on an ongoing basis. The safety of all staff, faculty, students, and any audience members are, and have been, the top priority of the management team.

The impact of the COVID-19 pandemic have resulted in a loss of income in tuition revenue, fundraising revenue, individual donations revenue, and events and other operating revenue. The Society estimates a loss of tuition revenue due to a decrease in international student attendance and the need for a smaller class size due to building capacity. The Society estimates a loss of events and other operating revenue due to capacity limitations on live performances and audience reluctance to return to in person theatre. In addition, the College has seen a decrease in revenues from facilities rentals, concessions, merchandise sales, and advertising revenue.

The Society did not lay off any employees and has defrayed staff salary costs through the Canada Emergency Wage Subsidy. In addition, the Society has defrayed facilities costs through the Canada Emergency Rent Subsidy. These subsidies resulted in \$42,315 of revenue for the year ended June 30, 2022 (2021 - \$185,587).

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Notes to the Financial Statements Year ended June 30, 2022

12. Impact of COVID - 19, continued

As part of COVID-19 relief measure, the Canada Emergency Business Account, a program administered by Export Development Canada, was put in place to provide loans up to \$60,000 to eligible entities. The funds are not subject to interest and \$20,000 of the loan is forgivable if repaid by December 31, 2023. The Society received funding of \$60,000 and recognized the \$20,000 forgivable portion in revenue during the year end June 30, 2021.

The overall impact of the pandemic on the Society and the College it operates is too uncertain to be fully estimated at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Society for future periods.