

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

REVIEW ENGAGEMENT REPORT

UNAUDITED FINANCIAL STATEMENTS

MARCH 31, 2017

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

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REVIEW ENGAGEMENT REPORT

To the Board of Directors:

We have reviewed the statement of financial position of Japanese Cultural Association of Manitoba Inc. as at March 31, 2017 and the statements of changes in net assets, operations, and cash flow for the year then ended. These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Centre.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.



Winnipeg, Manitoba
September 14, 2017

CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017**

UNAUDITED

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 316,028	313,682
Short term investments (Note 3)	34,267	64,956
Accounts receivable (Note 4)	12,597	4,380
Prepaid expenses	<u>1,418</u>	<u>1,418</u>
	364,310	384,436
LONG TERM INVESTMENTS (Note 5)	324,831	298,149
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 6)	<u>905,170</u>	<u>655,025</u>
	<u>\$ 1,594,311</u>	<u>1,337,610</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 10,997	6,629
Government remittances payable	4,856	2,397
Deferred revenue (Note 7)	<u>4,978</u>	<u>23,571</u>
	<u>20,831</u>	<u>32,597</u>
NET ASSETS		
Invested in tangible capital assets	905,170	655,025
Unrestricted	181,656	309,557
Capital Fund (Note 2(d))	200,000	55,994
Harold Hirose Education Fund (Note 2(e))	60,927	60,456
Endowment Fund (Note 2 (f))	<u>225,727</u>	<u>223,981</u>
	<u>1,573,480</u>	<u>1,305,013</u>
	<u>\$ 1,594,311</u>	<u>1,337,610</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2017**

UNAUDITED

	<u>Invested in Tangible Capital Assets</u>	<u>Unrestricted</u>	<u>Capital Fund</u>	<u>Harold Hirose Education Fund</u>	<u>Endowment Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
NET ASSETS, BEGINNING OF YEAR	\$ 655,025	309,557	55,994	60,456	223,981	1,305,013	1,261,779
PURCHASE OF TANGIBLE CAPITAL ASSETS	281,409	-	(281,409)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(31,264)	47,528	249,986	471	1,746	268,467	43,234
TRANSFER (Note 9)	-	(175,429)	175,429	-	-	-	-
NET ASSETS, END OF YEAR	<u>\$ 905,170</u>	<u>181,656</u>	<u>200,000</u>	<u>60,927</u>	<u>225,727</u>	<u>1,573,480</u>	<u>1,305,013</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017**

UNAUDITED

	<u>2017</u>	<u>2016</u>
REVENUE		
Capital contributions	\$ 206,250	-
Donations	33,840	61,520
Folklorama	81,708	73,603
Fundraising	101,825	79,938
Grants	89,200	9,350
Investment income	48,655	13,831
Language school	26,228	25,360
Memberships	10,235	9,484
Miscellaneous	218	885
Programs and services	10,045	11,381
Rental	11,907	13,298
User fees	7,125	13,916
	<u>627,236</u>	<u>312,566</u>
EXPENSES		
Administrative and general		
Administration	8,913	4,650
Accounting and legal	5,525	5,973
Bank charges and interest	11,506	10,908
Insurance	8,680	7,805
Licences and Memberships	775	675
Miscellaneous	11,573	653
Postage and supplies	7,409	9,060
Telephone	2,981	2,741
Wages and benefits	36,437	35,258
Bad debts	1,419	-
Building occupancy costs		
Amortization of tangible capital assets	31,264	19,222
Gas	4,209	4,811
Hydro	10,173	9,849
Property taxes	11,458	9,267
Repairs and maintenance	40,462	20,904
Security	602	845
Water	1,471	2,561
Fundraising		
Fundraising	41,870	26,845
Folklorama	68,886	60,211
Mirai scholarships	17,060	-
Language school	21,745	20,462
Programs and services	12,195	16,632
Travel and vehicle	2,157	-
	<u>358,770</u>	<u>269,332</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 268,466</u>	<u>43,234</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017**

UNAUDITED

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 268,466	43,234
Add non-cash item(s):		
Amortization of tangible capital assets	<u>31,264</u>	<u>19,222</u>
	299,730	62,456
Change in non-cash working capital:		
Accounts receivable	(8,217)	1,718
Prepaid expenses	-	1,650
Accounts payable and accrued liabilities	4,369	(350)
Government remittances payable	2,459	9
Deferred revenue	<u>(18,593)</u>	<u>17,971</u>
	<u>279,748</u>	<u>83,454</u>
INVESTING ACTIVITIES		
Short term investments	30,689	137,349
Long term investments	(26,683)	53,928
Additions to tangible capital assets	<u>(281,409)</u>	<u>(19,011)</u>
	<u>(277,403)</u>	<u>172,266</u>
INCREASE IN CASH	2,345	255,720
CASH, BEGINNING OF YEAR	<u>313,682</u>	<u>57,962</u>
CASH, END OF YEAR	<u>\$ 316,027</u>	<u>313,682</u>

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

UNAUDITED

1. ACCOUNTING ENTITY

The Japanese Cultural Association of Manitoba Inc. (JCAM) was formed September 16, 2013 through the amalgamation of the Manitoba Japanese Canadian Citizens' Association Inc. (MJCCA) and the Manitoba Japanese Canadian Cultural Centre Inc. (MJCCC). JCAM is a registered charitable organization and is incorporated under The Corporations Act of Manitoba as a non-profit organization.

JCAM is responsible for the operation and maintenance of the Manitoba Japanese Canadian Cultural Centre and organizes community, cultural and educational activities through a volunteer board and the organization's membership. JCAM undertakes projects that include all segments of the Japanese Canadian community, as well as reach out to other Canadians. JCAM organizes activities, programs, and services in both the English and Japanese language in order to educate and inform the general community about Japanese and Japanese-Canadian art, music, culture, heritage and history, while also operating the Japanese Language School and the Japanese Public Schools Program (Japan PSP) a cultural program at the Centre for Manitoba's elementary school students.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Revenue Recognition

The organization follows the restricted fund method in accounting for contributions. Restricted contributions related to general operations are recognized as revenue in the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the general fund when they are received or receivable, and when collectibility is reasonably assured. Endowment contributions are recognized as revenue of the endowment fund in the current period.

Revenue from user fees, rentals, language school, programs and services and fundraising is recognized when products or services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

Donations of material and equipment are reported at fair market value. During the period, no donated material or equipment was received by the organization.

(b) Library and Archives

Library and archive items are expensed as acquired.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

UNAUDITED

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Tangible capital assets

Tangible capital assets are recorded at cost and amortized over their estimated useful lives at the following rates:

Amortization is provided on the straight-line basis at the following rates:

Building	2%
Computer equipment	25%
Furniture and fixtures	20%
Japanese rock garden	2%

(d) Capital Fund

The Capital Fund is an internally restricted fund established for the purpose of future tangible capital asset additions, replacements, and major repairs.

(e) Harold Hirose Education Fund

The Harold Hirose Education Fund is an externally restricted fund established from donations restricted for the purpose of funding educational scholarships. Capital and investment income earned by the fund are also used to fund educational scholarships.

(f) Endowment Fund

The Endowment Fund (also known as the "Community Fund") is an endowment fund that was established to sustain programs and activities that will benefit generations of Canadians of Japanese ancestry living in Manitoba. The fund was established in appreciation and in commemoration of:

- a) The Redress Settlement and;
- b) the individuals who passed away before September 22, 1988 and were not able to share in the benefits of the Redress Settlement.

The fund is administered with the intent to maintain and to add to the amount of community contributions that established the fund. The community contributions have been designated a capital funds in the 'principal' pool. The total amount of annual community approved grants is determined as a percentage of total income derived from investments and the balance of investment income is directed into the principal pool to accumulate investment capital.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

UNAUDITED

(g) Accounting Estimates

The preparation of the 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 revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved. Actual results may differ from estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments

Financial instruments held by the organization include cash, short term investments, accounts receivable, long term investments, and accounts payable and accrued liabilities. The organization initially measures any financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at amortized cost with the exception of equity investments traded in an active market which are recorded at fair market value with any unrealized gains or losses at year end date recorded in investment income. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. SHORT TERM INVESTMENTS

Short term investments consists of term deposits held with local credit unions which bear interest at rates of 1.75% to 2.60% and have maturity dates between January 1, 2018 and March 13, 2018.

4. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 2,948	1,419
Accrued interest on investments	333	703
GST receivable	<u>9,317</u>	<u>2,258</u>
	<u>\$ 12,598</u>	<u>4,380</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

UNAUDITED

5. LONG TERM INVESTMENTS

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Fixed income	\$ -	-	11,318	11,318
Common shares	<u>290,701</u>	<u>324,831</u>	<u>289,181</u>	<u>286,831</u>
	<u>\$ 290,701</u>	<u>324,831</u>	<u>300,499</u>	<u>298,149</u>

6. TANGIBLE CAPITAL ASSETS

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 217,910	-	217,910	-
Buildings	926,955	306,138	680,678	282,452
Computer equipment	14,674	10,464	14,674	8,375
Furniture and fixtures	257,721	222,124	222,589	217,927
Japanese rock garden	<u>45,380</u>	<u>18,744</u>	<u>45,380</u>	<u>17,452</u>
	<u>1,462,640</u>	<u>557,470</u>	<u>1,181,231</u>	<u>526,206</u>
Net book value	<u>\$ 905,170</u>		<u>655,025</u>	

7. DEFERRED REVENUE

	<u>Opening Balance</u>	<u>Revenue Received</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
User fees	\$ 50	7,125	7,125	50
Membership fees	5,917	9,246	10,235	4,928
Mirai scholarship fundraiser	<u>17,604</u>	<u>-</u>	<u>17,604</u>	<u>-</u>
	<u>\$ 23,571</u>	<u>16,371</u>	<u>34,964</u>	<u>4,978</u>

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

UNAUDITED

8. RISK MANAGEMENT

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk through its short term investments.

(b) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The organization's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

(c) Credit risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

9. TRANSFER

The board of directors approved a transfer of \$175,429 from unrestricted net assets to capital fund net assets to fund future capital building expenditures.