

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

REVIEW ENGAGEMENT REPORT

FINANCIAL STATEMENTS

MARCH 31, 2018

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

MARCH 31, 2018

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Independent Practitioner's Review Engagement Report

To the Board of Directors of Japanese Cultural Association of Manitoba Inc.:

We have reviewed the accompanying financial statements of Japanese Cultural Association of Manitoba Inc. that comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets 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 Japanese Cultural Association of Manitoba Inc. as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Winnipeg, Manitoba
June 24, 2018

CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 210,204	316,028
Short term investments	-	34,267
Accounts receivable (Note 3)	5,084	12,597
Prepaid expenses	<u>3,971</u>	<u>1,418</u>
	219,259	364,310
INVESTMENT IN EQUITIES	420,721	324,831
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 4)	<u>943,696</u>	<u>905,170</u>
	<u>\$ 1,583,676</u>	<u>1,594,311</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 14,306	10,997
Government remittances payable	3,587	4,856
Deferred revenue (Note 5)	<u>22,268</u>	<u>4,978</u>
	<u>40,161</u>	<u>20,831</u>
NET ASSETS		
Invested in tangible capital assets	943,696	905,170
Unrestricted	223,333	181,656
Capital Fund (Note 2(d))	135,856	200,000
Harold Hirose Education Fund (Note 2(e))	15,710	60,927
Endowment Fund (Note 2(f))	<u>224,920</u>	<u>225,727</u>
	<u>1,543,515</u>	<u>1,573,480</u>
	<u>\$ 1,583,676</u>	<u>1,594,311</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018**

	Invested in Tangible Capital Assets	Unrestricted	Capital Fund	Harold Hirose Education Fund	Endowment Fund	2018 Total	2017 Total
NET ASSETS, BEGINNING OF YEAR	\$ 905,170	181,656	200,000	60,927	225,727	1,573,480	1,305,013
PURCHASE OF TANGIBLE CAPITAL ASSETS	83,481	-	(83,481)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(44,955)	41,677	19,337	(45,217)	(807)	(29,965)	268,467
NET ASSETS, END OF YEAR	<u>\$ 943,696</u>	<u>223,333</u>	<u>135,856</u>	<u>15,710</u>	<u>224,920</u>	<u>1,543,515</u>	<u>1,573,480</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018**

	2018	2017
REVENUE		
Capital contributions	\$ 20,050	206,250
Donations	45,313	33,840
Fundraising	160,565	191,765
Grants	26,900	89,200
Investment income	9,103	48,655
Memberships	10,483	10,235
Miscellaneous	-	218
Programs and services	64,655	43,398
Rental	<u>9,642</u>	<u>3,675</u>
	<u>346,711</u>	<u>627,236</u>
EXPENSES		
Administrative and general	62,227	59,533
Amortization of tangible capital assets	44,953	31,264
Bad debts	-	1,419
Building occupancy costs	73,887	68,360
Contribution to The Winnipeg Foundation (Note 7)	45,000	-
Fundraising	102,334	110,756
Programs and services	37,056	33,940
Scholarships and awards	2,965	17,060
Wages and benefits	<u>34,757</u>	<u>36,437</u>
	<u>403,179</u>	<u>358,769</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	(56,468)	268,467
OTHER ITEM		
Reversal of stale dated cheques	<u>26,503</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (29,965)</u>	<u>268,467</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018**

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (29,965)	268,467
Add non-cash item(s):		
Amortization of tangible capital assets	<u>44,953</u>	<u>31,264</u>
	14,988	299,731
Change in non-cash working capital:		
Accounts receivable	7,513	(8,217)
Prepaid expenses	(2,553)	-
Accounts payable and accrued liabilities	3,309	4,369
Government remittances payable	(1,269)	2,459
Deferred revenue	<u>17,290</u>	<u>(18,593)</u>
	<u>39,278</u>	<u>279,749</u>
INVESTING ACTIVITIES		
Short term investments	34,267	30,689
Investment in equities	(95,888)	(26,682)
Additions to tangible capital assets	<u>(83,481)</u>	<u>(281,409)</u>
	<u>(145,102)</u>	<u>(277,402)</u>
INCREASE (DECREASE) IN CASH	(105,824)	2,347
CASH, BEGINNING OF YEAR	<u>316,028</u>	<u>313,681</u>
CASH, END OF YEAR	<u>\$ 210,204</u>	<u>316,028</u>

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

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, 2018**

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. On September 6th, 2017, the board of directors approved a \$45,000 donation of the fund assets to The Winnipeg Foundation. The Winnipeg Foundation supplemented the donation with an additional \$20,000 contribution.

(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, 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(h) Financial Instruments

Financial instruments held by the organization include cash, short term investments, accounts receivable, investment in equities, 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. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	\$ -	2,947
Accrued interest on investments	-	333
GST receivable	<u>5,084</u>	<u>9,317</u>
	<u>\$ 5,084</u>	<u>12,597</u>

4. TANGIBLE CAPITAL ASSETS

	2018		2017	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 217,910	-	217,910	-
Buildings	975,793	336,309	926,955	306,138
Computer equipment	15,630	10,278	14,674	10,464
Furniture and fixtures	186,971	134,880	257,721	222,507
Japanese rock garden	<u>48,184</u>	<u>19,325</u>	<u>45,380</u>	<u>18,361</u>
	<u>1,444,488</u>	<u>500,792</u>	<u>1,462,640</u>	<u>557,470</u>
Net book value	<u>\$ 943,696</u>		<u>905,170</u>	

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

5. DEFERRED REVENUE

	<u>Opening Balance</u>	<u>Revenue Received</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
Government of Canada grant	\$ -	18,250	-	18,250
Membership fees	<u>4,978</u>	<u>9,523</u>	<u>10,483</u>	<u>4,018</u>
	<u>\$ 4,978</u>	<u>27,773</u>	<u>10,483</u>	<u>22,268</u>

6. 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 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.

7. ENDOWMENT FUNDS HELD

The organization signed an agreement with The Winnipeg Foundation establishing an endowment fund known as the 'Harold Hirose Education Fund'. The purpose of the Harold Hirose Education Fund is to generate annual investment income to be used to award scholarships. An initial amount of \$45,000 was contributed to this fund on September 6th, 2017 by the organization. An additional \$20,000 was contributed by the Winnipeg Foundation. The initial amount and all other amounts added to the capital of the fund (including augmentations to the Fund from The Winnipeg Foundation through its matching grants program) are irrevocable. Control over the asset resides with the Winnipeg Foundation and the organization is an income beneficiary of the endowment fund.

8. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.