

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

REVIEW ENGAGEMENT REPORT

FINANCIAL STATEMENTS

MARCH 31, 2019

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

MARCH 31, 2019

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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, 2019, 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, 2019 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
October 27, 2019**


**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 170,670	210,204
Accounts receivable (Note 3)	2,933	5,084
Prepaid expenses	<u>2,500</u>	<u>3,971</u>
	176,103	219,259
LONG TERM INVESTMENTS (Note 4)	479,400	420,721
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 6)	<u>901,277</u>	<u>943,696</u>
	<u>\$ 1,556,780</u>	<u>1,583,676</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 19,192	14,306
Government remittances payable	1,583	3,587
Deferred revenue (Note 6)	<u>15,575</u>	<u>22,268</u>
	<u>36,350</u>	<u>40,161</u>
NET ASSETS		
Invested in tangible capital assets	901,277	943,696
Unrestricted	299,751	223,333
Capital Fund (Note 2(d))	140,005	135,856
Harold Hirose Education Fund (Note 2(e))	-	15,710
Endowment Fund (Note 2(f))	<u>179,397</u>	<u>224,920</u>
	<u>1,520,430</u>	<u>1,543,515</u>
	<u>\$ 1,556,780</u>	<u>1,583,676</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019**

	Invested in Tangible Capital <u>Assets</u>	<u>Unrestricted</u>	<u>Capital Fund</u>	Harold Hirose Education <u>Fund</u>	Endowment <u>Fund</u>	<u>2019</u>	<u>2018</u>
NET ASSETS, BEGINNING OF YEAR	\$ 943,696	223,333	135,856	15,710	224,920	1,543,515	1,573,480
PURCHASE OF TANGIBLE CAPITAL ASSETS	10,126	-	(10,126)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(52,545)	10,708	14,275	-	4,477	(23,085)	(29,965)
TRANSFERS TO WINNIPEG FOUNDATION (Note 2 and 8)	-	60,000	-	(10,000)	(50,000)	-	-
INTERNAL TRANSFER (Note 2)	<u>-</u>	<u>5,710</u>	<u>-</u>	<u>(5,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 901,277</u>	<u>299,751</u>	<u>140,005</u>	<u>-</u>	<u>179,397</u>	<u>1,520,430</u>	<u>1,543,515</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
REVENUE		
Capital contributions	\$ 5,000	20,050
Donations	43,166	45,313
Fundraising	165,941	160,565
Grants	70,728	26,900
Investment income	53,948	9,103
Memberships	11,494	10,483
Programs and services	68,971	64,655
Rental	<u>6,133</u>	<u>9,642</u>
	<u>425,381</u>	<u>346,711</u>
EXPENSES		
Administrative and general	55,562	62,227
Amortization of tangible capital assets	52,545	44,953
Building occupancy costs	62,620	73,887
Contribution to The Winnipeg Foundation (Note 8)	60,000	45,000
Fundraising	116,242	102,334
Programs and services	57,706	37,056
Scholarships and awards	10,127	2,965
Wages and benefits	<u>35,247</u>	<u>34,757</u>
	<u>450,049</u>	<u>403,179</u>
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	(24,668)	(56,468)
OTHER ITEM		
Miscellaneous	<u>1,583</u>	<u>26,503</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (23,085)</u>	<u>(29,965)</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (23,085)	(29,965)
Add non-cash item(s):		
Amortization of tangible capital assets	<u>52,545</u>	<u>44,953</u>
	29,460	14,988
Change in non-cash working capital:		
Accounts receivable	2,151	7,513
Prepaid expenses	1,471	(2,553)
Accounts payable and accrued liabilities	4,885	3,309
Government remittances payable	(2,004)	(1,269)
Deferred revenue	<u>(6,693)</u>	<u>17,290</u>
	<u>29,270</u>	<u>39,278</u>
INVESTING ACTIVITIES		
Short term investments	-	34,267
Change in long-term investments	(58,678)	(95,888)
Purchase of tangible capital assets	<u>(10,126)</u>	<u>(83,481)</u>
	<u>(68,804)</u>	<u>(145,102)</u>
DECREASE IN CASH	(39,534)	(105,824)
CASH, BEGINNING OF YEAR	<u>210,204</u>	<u>316,028</u>
CASH, END OF YEAR	<u>\$ 170,670</u>	<u>210,204</u>

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

1. STATUS AND PURPOSE OF THE ORGANIZATION

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

The Organization 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. The Organization undertakes projects that include all segments of the Japanese Canadian community, as well as reach out to other Canadians. The Organization 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 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, 2019

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 and building improvements	2% - 20%
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 was an externally restricted fund established from donations restricted for the purpose of funding educational scholarships. During the year, the board of directors approved a \$10,000 (2018 - \$45,000) donation of the fund assets to the JCAM Harold Hirose Education Fund held with The Winnipeg Foundation as described in Note 8. The remaining balance in the fund of \$5,710 was transferred to the unrestricted fund, officially closing the Harold Hirose Education Fund directly managed by the Organization.

(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. During the year, the board of directors approved a \$50,000 donation of the fund assets to the JCAM Community Fund held with The Winnipeg Foundation as described in Note 8.

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

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, 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. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
GST receivable	\$ <u>2,933</u>	<u>5,084</u>

4. LONG TERM INVESTMENTS

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equity	<u>404,645</u>	<u>479,400</u>	<u>382,014</u>	<u>420,721</u>

5. TANGIBLE CAPITAL ASSETS

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 217,910	-	217,910	-
Buildings	975,793	371,340	975,793	336,309
Computer equipment	14,754	12,295	14,754	9,402
Furniture and fixtures	193,365	146,197	184,643	132,553
Japanese rock garden	<u>49,589</u>	<u>20,302</u>	<u>48,184</u>	<u>19,324</u>
	<u>1,451,411</u>	<u>550,134</u>	<u>1,441,284</u>	<u>497,588</u>
Net book value	\$ <u>901,277</u>		<u>943,696</u>	

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

6. DEFERRED REVENUE

	<u>Opening Balance</u>	<u>Revenue Received</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
Government of Canada grant	\$ 18,250	-	5,234	13,016
Membership fees	<u>4,018</u>	<u>10,035</u>	<u>11,494</u>	<u>2,559</u>
	<u>\$ 22,268</u>	<u>10,035</u>	<u>16,728</u>	<u>15,575</u>

7. RISK MANAGEMENT

(a) Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk of currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investments in quoted shares for which the value fluctuates with the quoted market price.

(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.

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

8. ENDOWMENT FUNDS HELD WITH THE WINNIPEG FOUNDATION

The Organization has entered into an agreement with The Winnipeg Foundation to establish a number of endowment funds (the "Funds"). All amounts contributed to the Funds, including augmentations to the Funds 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 Funds. For the year ended March 31, 2019, the Organization received \$2,308 in interest income from The Winnipeg Foundation related to the following endowment funds:

JCAM Harold Hirose Fund

The JCAM Harold Hirose Fund was established on September 20, 2018. The purpose of the JCAM 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 the Japanese Cultural Association of Manitoba Fund on September 6th, 2017 by the organization, resulting in additional \$20,000 contributed by The Winnipeg Foundation. During the year, the initial contribution amount of \$45,000 was transferred into the JCAM Harold Hirose Fund, in addition to another contribution of \$10,000 made by the Organization to the fund.

JCAM Community Fund

The JCAM Community Fund was established on September 20, 2018. This fund shares the same purpose as the Endowment Fund as described in Note 2. During the year, the Organization made a \$50,000 contribution into the JCAM Community Fund from the internally held Endowment Fund, through a board resolution.

Japanese Cultural Association of Manitoba Fund

The Japanese Cultural Association of Manitoba Fund was established on September 8, 2017 to hold the initial education contribution from the Organization that was later on transferred into the JCAM Harold Hirose Fund as described above. As of March 31, 2019, the Japanese Cultural Association of Manitoba Fund holds the matching contributions from The Winnipeg Foundation in the amount of \$30,000.

9. COMPARATIVE FIGURES

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