

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

REVIEW ENGAGEMENT REPORT

FINANCIAL STATEMENTS

JUNE 30, 2019

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.

JUNE 30, 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 June 30, 2019, and the statements of operations, changes in net assets and cash flow for the three-month period 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 June 30, 2019 and the results of its operations and its cash flow for the three-month 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
JUNE 30, 2019
(with comparative figures as at March 31, 2019)

| | June 30 <u>2019</u> | March 31 <u>2019</u> |
|---------------------------------------------------|--------------------------------|---------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 148,302 | 170,670 |
| Accounts receivable (Note 3) | 3,798 | 2,933 |
| Prepaid expenses | <u>4,811</u> | <u>2,500</u> |
| | 156,911 | 176,103 |
| LONG TERM INVESTMENTS (Note 4) | 480,071 | 479,400 |
| TANGIBLE CAPITAL ASSETS (Notes 2(c) and 6) | <u>908,282</u> | <u>901,277</u> |
| | <u>\$ 1,545,264</u> | <u>1,556,780</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 24,154 | 19,192 |
| Government remittances payable | 2,446 | 1,583 |
| Deferred revenue (Note 6) | <u>12,592</u> | <u>15,575</u> |
| | <u>39,192</u> | <u>36,350</u> |
| NET ASSETS | | |
| Invested in tangible capital assets | 908,282 | 901,277 |
| Unrestricted | 295,025 | 299,751 |
| Capital Fund (Note 2(d)) | 121,378 | 140,005 |
| Endowment Fund (Note 2(e)) | <u>181,387</u> | <u>179,397</u> |
| | <u>1,506,072</u> | <u>1,520,430</u> |
| | <u>\$ 1,545,264</u> | <u>1,556,780</u> |

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CHANGES IN NET ASSETS
THREE MONTH PERIOD ENDED JUNE 30, 2019
(with comparative figures for the year ended March 31, 2019)**

| | Invested in Tangible Capital Assets | Unrestricted | Capital Fund | Endowment Fund | June 30 2019 | March 31 2019 |
|---------------------------------------------------------|----------------------------------------------------|---------------------|-------------------------|---------------------------|-------------------------|--------------------------|
| NET ASSETS, BEGINNING OF YEAR | \$ 901,277 | 299,751 | 140,005 | 179,397 | 1,520,430 | 1,543,515 |
| PURCHASE OF TANGIBLE CAPITAL ASSETS | 19,958 | - | (19,958) | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | <u>(12,953)</u> | <u>(4,726)</u> | <u>1,331</u> | <u>1,990</u> | <u>(14,358)</u> | <u>(23,085)</u> |
| NET ASSETS, END OF YEAR | <u>\$ 908,282</u> | <u>295,025</u> | <u>121,378</u> | <u>181,387</u> | <u>1,506,072</u> | <u>1,520,430</u> |

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF OPERATIONS
THREE MONTH PERIOD ENDED JUNE 30, 2019
(with comparative figures for the year ended March 31, 2019)

| | Three Months Ended June 30 2019 | Year Ended March 31 2019 |
|------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------|
| REVENUE | | |
| Capital contributions | \$ - | 5,000 |
| Donations | 6,587 | 43,166 |
| Fundraising | 17,037 | 165,941 |
| Grants | 19,149 | 70,728 |
| Investment income | 10,193 | 53,948 |
| Memberships | 2,509 | 11,494 |
| Programs and services | 6,981 | 68,971 |
| Rental | <u>7,010</u> | <u>6,133</u> |
| | <u>69,466</u> | <u>425,381</u> |
| EXPENSES | | |
| Administrative and general | 21,904 | 55,562 |
| Amortization of tangible capital assets | 12,953 | 52,545 |
| Building occupancy costs | 14,114 | 62,620 |
| Contribution to The Winnipeg Foundation (Note 8) | - | 60,000 |
| Fundraising | 6,767 | 116,242 |
| Programs and services | 13,382 | 57,706 |
| Scholarships and awards | 2,400 | 10,127 |
| Wages and benefits | <u>12,304</u> | <u>35,247</u> |
| | <u>83,824</u> | <u>450,049</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER ITEM | (14,358) | (24,668) |
| OTHER ITEM | | |
| Miscellaneous | <u>-</u> | <u>1,583</u> |
| DEFICIENCY OF REVENUES OVER EXPENSES | \$ <u>(14,358)</u> | <u>(23,085)</u> |

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
STATEMENT OF CASH FLOW
THREE MONTH PERIOD ENDED JUNE 30, 2019
(with comparative figures for the year ended March 31, 2019)

| | Three Months Ended June 30 <u>2019</u> | Year Ended March 31 <u>2019</u> |
|------------------------------------------|-------------------------------------------------|---------------------------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenses | \$ (14,358) | (23,085) |
| Add non-cash item(s): | | |
| Amortization of tangible capital assets | <u>12,953</u> | <u>52,545</u> |
| | (1,405) | 29,460 |
| Change in non-cash working capital: | | |
| Accounts receivable | (865) | 2,151 |
| Prepaid expenses | (2,311) | 1,471 |
| Accounts payable and accrued liabilities | 4,962 | 4,885 |
| Government remittances payable | 863 | (2,004) |
| Deferred revenue | <u>(2,983)</u> | <u>(6,693)</u> |
| | <u>(1,739)</u> | <u>29,270</u> |
| INVESTING ACTIVITIES | | |
| Change in long-term investments | (671) | (58,678) |
| Purchase of tangible capital assets | <u>(19,958)</u> | <u>(10,126)</u> |
| | <u>(20,629)</u> | <u>(68,804)</u> |
| DECREASE IN CASH | (22,368) | (39,534) |
| CASH, BEGINNING OF YEAR | <u>170,670</u> | <u>210,204</u> |
| CASH, END OF YEAR | <u>\$ 148,302</u> | <u>170,670</u> |

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 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 JUNE 30, 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) 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.

(f) 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.

(g) 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.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

3. ACCOUNTS RECEIVABLE

| | June 30 <u>2019</u> | March 31 <u>2019</u> |
|----------------|--------------------------------|---------------------------------|
| GST receivable | \$ <u>3,798</u> | <u>2,933</u> |

4. LONG TERM INVESTMENTS

| | June 30 <u>2019</u> | | March 31 <u>2019</u> | |
|--------|--------------------------------|----------------------------|---------------------------------|----------------------------|
| | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> |
| Equity | <u>394,595</u> | <u>480,071</u> | <u>404,645</u> | <u>479,400</u> |

5. TANGIBLE CAPITAL ASSETS

| | June 30 <u>2019</u> | | March 31 <u>2019</u> | |
|--------------------------|--------------------------------|--------------------------------------------|---------------------------------|--------------------------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Cost</u> | <u>Accumulated Amortization</u> |
| Land | \$ 217,910 | - | 217,910 | - |
| Buildings | 975,793 | 380,098 | 975,793 | 371,340 |
| Computer equipment | 14,754 | 12,613 | 14,754 | 12,295 |
| Furniture and fixtures | 193,365 | 149,825 | 193,365 | 146,197 |
| Japanese rock garden | 49,588 | 20,550 | 49,589 | 20,302 |
| Construction in progress | <u>19,958</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>1,471,368</u> | <u>563,086</u> | <u>1,451,411</u> | <u>550,134</u> |
| Net book value | \$ <u>908,282</u> | | <u>901,277</u> | |

6. DEFERRED REVENUE

| | <u>Opening Balance</u> | <u>Revenue Received</u> | <u>Revenue Recognized</u> | <u>Ending Balance</u> |
|----------------------------|-----------------------------------|------------------------------------|--------------------------------------|----------------------------------|
| Government of Canada grant | \$ 13,016 | - | 2,649 | 10,367 |
| Membership fees | <u>2,559</u> | <u>2,175</u> | <u>2,509</u> | <u>2,225</u> |
| | <u>\$ 15,575</u> | <u>2,175</u> | <u>5,158</u> | <u>12,592</u> |

JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 JUNE 30, 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") as described below. 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.

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. As of June 30, 2019, the Organization has made a total of \$55,000 in contributions to the Fund, including \$nil in contributions for the period (year ended March 31, 2019 - \$10,000).

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. As of June 30, 2019, the Organization has made a total of \$50,000 in contributions into the JCAM Community Fund from the internally held Endowment Fund, including \$nil in contributions for the period (year ended March 31, 2019 - \$50,000).

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 of June 30, 2019, the Japanese Cultural Association of Manitoba Fund holds the matching contributions from The Winnipeg Foundation in the amount of \$30,000, including \$nil in contributions for the period (year ended March 31, 2019 - \$10,000).

9. YEAR END CHANGE

During the period, the Organization changed its year end to June 30 in order to better align with its membership structure and operations.

10. COMPARATIVE FIGURES

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