

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**

**REVIEW ENGAGEMENT REPORT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**

**JUNE 30, 2021**

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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, 2021, 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 June 30, 2021 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 13, 2021



CHARTERED PROFESSIONAL  
ACCOUNTANTS INC.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 159,454	51,253
Accounts receivable (Note 3)	20,204	9,996
Prepaid expenses	<u>2,840</u>	<u>4,179</u>
	182,498	65,428
<b>LONG TERM INVESTMENTS</b> (Note 4)	543,521	414,279
<b>TANGIBLE CAPITAL ASSETS</b> (Notes 2(c) and 5)	<u>1,028,099</u>	<u>1,053,487</u>
	<u>\$ 1,754,118</u>	<u>1,533,194</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 55,833	15,193
Government remittances payable	1,447	773
Deferred revenue (Note 6)	<u>91,401</u>	<u>5,754</u>
	<u>148,681</u>	<u>21,720</u>
<b>NET ASSETS</b>		
Unrestricted	357,012	254,693
Invested in tangible capital assets	1,028,099	1,053,487
Capital Reserve Fund (Note 2(d))	70,000	35,000
Endowment Fund (Note 2(e))	<u>150,326</u>	<u>168,294</u>
	<u>1,605,437</u>	<u>1,511,474</u>
	<u>\$ 1,754,118</u>	<u>1,533,194</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2021**

	Invested in Tangible Capital <u>Assets</u>	<u>Unrestricted</u>	Capital Reserve <u>Fund</u>	Endowment <u>Fund</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 1,053,487	254,693	35,000	168,294	1,511,474	1,506,072
<b>PURCHASE OF TANGIBLE CAPITAL ASSETS</b>	20,267	(20,267)	-	-	-	-
<b>SALE OF LAND</b>	(3,977)	3,977	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(41,678)	108,609	-	27,032	93,963	5,402
<b>GIFT TO WINNIPEG FOUNDATION (Note 2(e))</b>	-	45,000	-	(45,000)	-	-
<b>TRANSFER (Note 2(d))</b>	<u>-</u>	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,028,099</u>	<u>357,012</u>	<u>70,000</u>	<u>150,326</u>	<u>1,605,437</u>	<u>1,511,474</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>		
Donations	\$ 36,734	35,735
Fundraising	34,788	148,749
Grants	86,267	72,944
Investment income	16,520	11,332
Memberships	773	10,425
Miscellaneous	1,987	-
Programs and services	33,632	64,011
Rental	<u>10,001</u>	<u>3,711</u>
	<u>220,702</u>	<u>346,907</u>
<b>EXPENSES</b>		
Administrative and general	43,525	47,562
Amortization of tangible capital assets	41,678	40,584
Building occupancy costs	61,233	50,605
Fundraising	15,671	94,136
Programs and services	32,311	45,327
Scholarships and awards	9,137	9,916
Wages and benefits	<u>36,206</u>	<u>40,202</u>
	<u>239,761</u>	<u>328,332</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS</b>	<u>(19,059)</u>	<u>18,575</u>
<b>OTHER ITEMS</b>		
Canada Emergency Rent Subsidy	7,505	-
Canada Emergency and Temporary Wage Subsidies (Note 9)	23,294	3,858
Gain on sale of land	12,024	-
Gift to The Winnipeg Foundation (Note 8)	(45,000)	-
Unrealized gain (loss) on market value of long term investments	<u>115,199</u>	<u>(17,031)</u>
	<u>113,022</u>	<u>(13,173)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 93,963</u>	<u>5,402</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.  
STATEMENT OF CASH FLOW  
YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 93,963	5,402
Add non-cash item:		
Amortization of tangible capital assets	41,678	40,584
Gain on sale of land	<u>(12,024)</u>	<u>-</u>
	123,617	45,986
Change in non-cash working capital:		
Accounts receivable	(10,207)	(6,198)
Prepaid expenses	1,339	632
Accounts payable and accrued liabilities	40,640	(8,961)
Government remittances payable	674	(1,673)
Deferred revenue	<u>85,647</u>	<u>(6,838)</u>
	<u>241,710</u>	<u>22,948</u>
<b>INVESTING ACTIVITIES</b>		
Change in long-term investments	(129,242)	65,792
Purchase of tangible capital assets	(20,267)	(185,789)
Proceeds on sale of land	<u>16,000</u>	<u>-</u>
	<u>(133,509)</u>	<u>(119,997)</u>
<b>CHANGE IN CASH</b>	108,201	(97,049)
<b>CASH, BEGINNING OF YEAR</b>	<u>51,253</u>	<u>148,302</u>
<b>CASH, END OF YEAR</b>	<u>\$ 159,454</u>	<u>51,253</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**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 safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve and change quickly. It is management's opinion that the Centre has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. While management will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the Centre.

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.

The Canada Emergency Wage Subsidy ("CEWS") is recognized as revenue for the corresponding period for which eligible employee remuneration is paid and the claim has been filed.

The Temporary Wage Subsidy ("TWS") has been recognized as revenue as eligible employee remuneration was paid. Amounts were received as a reduction of payroll source deductions that are remitted to the Canada Revenue Agency (CRA).



**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Revenue Recognition (Continued)**

The Canada Emergency Rent Subsidy ("CERS") is recognized as revenue for the corresponding period for which an eligible commercial rent or property expense is paid and the claim has been filed.

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.

**(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%
Works of art	Nil

**(d) Capital Reserve Fund**

The Capital Reserve Fund is an internally restricted fund established for the purpose of future tangible capital asset additions, replacements, and major repairs. During the year, the Board of Directors approved a transfer of \$35,000 (2020-\$35,000) from unrestricted net assets to the capital reserve fund.

**(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. During the year, the Board of Directors approved a gift of \$45,000 from the Endowment fund to the JCAM Community Fund administered by The Winnipeg Foundation.

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 and useful life of tangible capital assets. 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.

**3. ACCOUNTS RECEIVABLE**

	<u>2021</u>	<u>2020</u>
Canada Emergency Wage Subsidy	\$ 2,434	-
Rental revenue receivable	-	3,732
Land sale proceeds receivable	16,000	-
GST receivable	<u>1,770</u>	<u>6,264</u>
	<u>\$ 20,204</u>	<u>9,996</u>

**4. LONG TERM INVESTMENTS**

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	<u>\$ 370,555</u>	<u>543,521</u>	<u>351,374</u>	<u>414,279</u>

**JAPANESE CULTURAL ASSOCIATION OF MANITOBA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**5. TANGIBLE CAPITAL ASSETS**

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 213,934	-	217,910	-
Building and building improvements	1,163,581	424,763	1,163,581	401,492
Computer equipment	14,754	14,754	14,754	14,754
Furniture and fixtures	90,552	67,124	83,274	49,742
Japanese rock garden	52,181	22,573	50,248	21,548
Works of art	<u>22,311</u>	<u>-</u>	<u>11,256</u>	<u>-</u>
	<u>1,557,313</u>	<u>529,214</u>	<u>1,541,023</u>	<u>487,536</u>
Net book value	\$ <u>1,028,099</u>		<u>1,053,487</u>	

**6. DEFERRED REVENUE**

	<u>Opening Balance</u>	<u>Revenue Received</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
Government of Canada grant	\$ -	21,640	-	21,640
Membership fees	-	5,261	-	5,261
Parking rental space	2,754	-	(2,754)	-
Sponsorship	<u>3,000</u>	<u>64,500</u>	<u>(3,000)</u>	<u>64,500</u>
	<u>\$ 5,754</u>	<u>48,121</u>	<u>(5,754)</u>	<u>91,401</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 equities 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, 2021**

**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 Education 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, 2021, the Organization has made a total of \$55,000 in contributions to the Fund, including \$nil in contributions for the year.

*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, 2021, the Organization has made a total of \$50,000 in contributions into the JCAM Community Fund from the internally held Endowment Fund. During the year, the Board of Directors approved a gift of \$45,000 to Winnipeg Foundation from this fund which is included in accounts payable and accrued liabilities at year end.

*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 Education Fund. As of June 30, 2021, 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 year.

**9. CANADA EMERGENCY AND TEMPORARY WAGE SUBSIDIES**

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") and Temporary Wage Subsidy ("TWS") program in order to help employers re-hire employees, prevent job losses and provide relief in response to challenges posed by the COVID-19 pandemic. The Organization has determined that it met the employer eligibility criteria including meeting the revenue reduction requirements and incurring eligible remuneration and applied for the CEWS and TWS. As of year-end date, the Organization received \$20,575 under the CEWS program with a further \$2,434 accrued up to year end date. In addition, the Organization received \$285 under the TWS program. The Organization intends to continue its participation in the CEWS and TWS program, subject to meeting the eligibility requirements. On July 30, 2021, the Government of Canada announced extending the program to October 23, 2021.

**10. COMPARATIVE FIGURES**

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