
THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of The Roundhouse Community Arts and Recreation Society

Report on the Financial Statements

Opinion

We have audited the financial statements of The Roundhouse Community Arts and Recreation Society (the "Society"), which comprise the statement of financial position as at June 30, 2020, and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

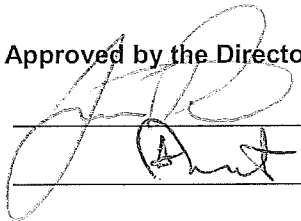
Manning Elliott LLP

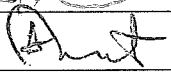
Chartered Professional Accountants
Vancouver, British Columbia
November 25, 2020

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

| | 2020 | 2019 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 335,016 | \$ 532,505 |
| Accounts receivable | 50,301 | 163,258 |
| Government subsidies receivable | 34,555 | - |
| Prepaid expenses and deposits | 2,250 | 2,250 |
| | 422,122 | 698,013 |
| CAPITAL ASSETS (Note 3) | 187,681 | 165,694 |
| | \$ 609,803 | \$ 863,707 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 4) | \$ 55,321 | \$ 68,367 |
| Rental deposits | 26,784 | 30,784 |
| Deferred and unearned revenue | 10,924 | 237,797 |
| | 93,029 | 336,948 |
| DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5) | 63,461 | 71,919 |
| | 156,490 | 408,867 |
| NET ASSETS | | |
| INVESTED IN CAPITAL ASSETS | 124,220 | 93,775 |
| CONTINGENCY RESERVE (Note 6) | 100,000 | 100,000 |
| UNRESTRICTED | 229,093 | 261,065 |
| | 453,313 | 454,840 |
| | \$ 609,803 | \$ 863,707 |

Approved by the Directors

 Director

 Director

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2020

| | Invested in capital assets | Contingency reserve (Note 6) | Unrestricted | 2020 Total | 2019 Total |
|---|-------------------------------|------------------------------------|--------------|---------------|---------------|
| BALANCE, BEGINNING OF YEAR | \$ 93,775 | \$ 100,000 | \$ 261,065 | \$ 454,840 | \$ 395,430 |
| Excess (deficiency) of revenue over expenditures for the year | - | - | (1,527) | (1,527) | 59,410 |
| Purchase of capital assets | 50,173 | - | (50,173) | - | - |
| Amortization of capital assets | (28,186) | - | 28,186 | - | - |
| Amortization of deferred contributions related to capital assets | 8,458 | - | (8,458) | - | - |
| BALANCE, END OF YEAR | \$ 124,220 | \$ 100,000 | \$ 229,093 | \$ 453,313 | \$ 454,840 |

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 | 2019 |
|--|------------|------------|
| REVENUE | | |
| Net program operations (<i>Schedule 1</i>) | \$ 393,375 | \$ 480,599 |
| Administration fees and other income | 14,431 | 10,488 |
| | 407,806 | 491,087 |
| EXPENDITURES | | |
| Production department costs | 202,157 | 159,086 |
| Advertising and promotion | 96,888 | 93,226 |
| Administration | 56,818 | 37,427 |
| Employer costs | 48,311 | 50,212 |
| Bank charges | 32,647 | 51,021 |
| Legal and accounting | 12,300 | 12,200 |
| Facility development costs | 5,220 | 11,960 |
| Education and training | 568 | 1,630 |
| | 454,909 | 416,762 |
| EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS | (47,103) | 74,325 |
| OTHER ITEMS | | |
| Government subsidies | 65,304 | - |
| Amortization of deferred contributions related to capital assets | 8,458 | 8,458 |
| Amortization of capital assets | (28,186) | (23,373) |
| | 45,576 | (14,915) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR | \$ (1,527) | \$ 59,410 |

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 | 2019 |
|---|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 1,192,869 | \$ 1,741,154 |
| Cash receipts from administration fees and other income | 78,584 | 10,488 |
| Cash paid to suppliers and employees | (1,418,769) | (1,758,207) |
| | (147,316) | (6,565) |
| INVESTING ACTIVITY | | |
| Purchase of capital assets | (50,173) | (13,023) |
| FINANCING ACTIVITY | | |
| Receipt of deferred contributions related to capital assets | - | 500 |
| DECREASE IN CASH | (197,489) | (19,088) |
| CASH, BEGINNING OF YEAR | 532,505 | 551,593 |
| CASH, END OF YEAR | \$ 335,016 | \$ 532,505 |

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

PURPOSE OF THE ORGANIZATION

The purpose of The Roundhouse Community Arts and Recreation Society (the "Society") is to promote community spirit and good citizenship through community art, recreation and social programs and services. The overall mission is to celebrate diversity of ideas, people, values and activities through the provision and operation of the Roundhouse Community Centre.

The Society is incorporated under the Societies Act of British Columbia as a not-for-profit organization and is accordingly exempt from income taxes under the Income Tax Act (Canada).

The Society operates the Roundhouse Community Centre jointly with the Vancouver Board of Parks and Recreation ("VPB") in accordance with the terms of a Joint Operating Agreement.

While the Roundhouse building and facilities are owned and maintained by VPB and key operating staff are provided by the VPB, the Society is responsible for the development and presentation of various programs in support of the mission of the Society and for the related program costs, equipment, supplies and services. The Society funds these activities through program and rental revenues.

In March 2020, a global pandemic was declared due to the COVID-19 virus, which has had a significant impact on economic and social activity through the restrictions put in place by the Canadian government regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 pandemic may have on the Society is unknown as this will depend on future developments that are highly uncertain and cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada to fight the virus. Limited programming has been reinstated to support the needs of the community. The Society continues to monitor the situation and assess the impact COVID-19 will have on its operations and program offerings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have been prepared using the following significant accounting policies:

(a) Financial instruments

i) Measurement

The Society's financial instruments include cash, accounts receivable and accounts payable. The Society initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all of its financial assets and liabilities at amortized cost.

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of revenue and expenditures. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenue and expenditures in the period in which it is determined.

(b) Cash

For the purposes of determining cash flows, the Society's cash consists of cash on deposit.

(c) Capital assets

Capital assets are recorded at historical cost and amortized over their estimated useful lives applying the following annual rates and methods:

| | | |
|------------------------------|----------|-------------------------|
| Performance centre equipment | 10 years | straight-line method |
| Furniture and fixtures | 10 years | straight-line method |
| Computer software | 30% | declining balance basis |
| Computer hardware | 30/55% | declining balance basis |
| Signage | 30% | declining balance basis |

Effective July 1, 2019, the Society adopted Section 4433 'Tangible capital assets held by not-for-profit organizations', which replaces Section 4431 of the same name. The new section clarifies that not-for-profit organizations apply the requirements for componentization in Section 3061 'Property, Plant, and Equipment', refines the guidance regarding the write-down of tangible capital assets (see below) and provides additional guidance on accounting for the cost of a contributed capital asset.

The Society monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenditures. Write-downs recognized under this policy are not reversed.

Adoption of this new policy did not have any impact on the reported amounts of the Society's capital assets.

(d) Revenue recognition

The Society follows the deferral method of accounting for revenue. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from programs and rentals is recognized when the associated class or event is held.

Contributions restricted for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset.

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(e) Contributed materials and services

The Society benefits from contributed services in the form of volunteer time. Fair values of contributed materials and services cannot be reasonably estimated and therefore these items are not recognized in these financial statements.

(f) Allocation of expenses

The Society reports its expenditures by nature and provides supplementary information about the allocation of expenditures in the Schedule of Program Operations. Allocations in the Schedule are based on a direct assignment of costs attributable to each program.

(g) Use of 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 about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, the useful lives of assets for amortization and the amounts recorded as accrued liabilities and deferred revenue.

2. FINANCIAL INSTRUMENTS RISKS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of June 30, 2020. There has been no change in the risk exposure from the prior year except as noted below with regards to COVID-19.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations resulting in a financial loss. In the opinion of management, the credit risk exposure to the Society is low.

The COVID-19 pandemic has caused significant economic uncertainty. The Society's exposure to credit risk has changed as a result of COVID-19, however, management has taken necessary steps to mitigate any potential losses.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and monitors its cash balances and cash flows generated from operations against its anticipated outflows. In the opinion of management, the liquidity risk exposure to the Society is low.

As noted above, the COVID-19 pandemic could impact the timing of cash inflows. The Society has proactively monitored its cash flows to manage any disruption to its regular balance of working capital and anticipates that its cash reserves will adequately minimize liquidity risk.

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. FINANCIAL INSTRUMENTS RISKS *(continued)*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. In the opinion of management, the market risk exposure to the Society is low.

(i) Currency risk

Currency risk arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society does not commonly own foreign currency, or perform transactions in a foreign currency. In the opinion of management, the currency risk exposure to the Society is low.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. In the opinion of management, the interest rate risk exposure to the Society is low.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or 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. In the opinion of management, the other price risk exposure to the Society is low.

3. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|------------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Performance centre equipment | \$ 179,287 | \$ 81,889 | \$ 97,398 | \$ 110,188 |
| Furniture and fixtures | 142,189 | 70,494 | 71,695 | 53,160 |
| Computer software | 50,763 | 32,824 | 17,939 | 1,341 |
| Computer hardware | 22,063 | 21,439 | 624 | 969 |
| Signage | 12,599 | 12,574 | 25 | 36 |
| | \$ 406,901 | \$ 219,220 | \$ 187,681 | \$ 165,694 |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at June 30, 2020 are government remittances payable of \$Nil (2019 - \$2,763).

Also included in accounts payable and accrued liabilities is an Operations Fee payable of \$25,821 (2019 - \$8,110) due to the Vancouver Board of Parks and Recreation as required by the Joint Operating Agreement ("JOA"). The amount accrued in respect of the year ended June 30, 2020 is 2% (2019 - 1%) of the previous year's applicable prorated gross revenues (as defined in the JOA).

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted contributions that have been used to purchase capital assets. These contributions are amortized at the same rate as the underlying assets.

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Opening balance | \$ 71,919 | \$ 79,877 |
| Add: deferred contribution | - | 500 |
| Less: amortized to revenue | (8,458) | (8,458) |
| | \$ 63,461 | \$ 71,919 |

6. CONTINGENCY RESERVE

The board of directors has internally restricted a contingency reserve of \$100,000 (2019 - \$100,000) in the event the Society encounters extraordinary circumstances.

THE ROUNDHOUSE COMMUNITY ARTS AND RECREATION SOCIETY
SCHEDULE OF PROGRAM OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020

(Schedule 1)

| | Revenue | Expenditures | 2020 | 2019 |
|---------------------|--------------|--------------|------------|------------|
| Classes/workshops | \$ 888,419 | \$ 609,568 | \$ 278,851 | \$ 364,309 |
| Rentals | 301,387 | 110,392 | 190,995 | 144,312 |
| Partnership | 92,468 | 85,110 | 7,358 | 13,611 |
| Special events | 13,399 | 31,911 | (18,512) | (19,463) |
| Residency | 14,222 | 39,151 | (24,929) | 13,743 |
| Subsidized programs | 34,294 | 74,682 | (40,388) | (35,913) |
| | \$ 1,344,189 | \$ 950,814 | \$ 393,375 | \$ 480,599 |