

## Independent Auditor's Report

To the Board of Directors of A Cappella Foundation

We have audited the accompanying financial statements of A Cappella Foundation, which comprise the statement of financial position as at September 30, 2017 and the statement of operations, statement of changes in net assets and statement of cash flows 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of A Cappella Foundation as at September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Other Matter*

The comparative figures were neither audited nor reviewed.

Vancouver, B.C.

Chartered Professional Accountants

# A Cappella Foundation

## Statement of Financial Position

September 30, 2017

	2017	2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash	25,907	3,627
GST rebate receivable	<u>1,237</u>	<u>26</u>
	27,144	3,653
Cash surrender value of life insurance	1,105,117	961,167
Properties (Note 3)	<u>6,387,642</u>	<u>787,500</u>
	<u>7,519,903</u>	<u>1,752,320</u>
<b>Liabilities</b>		
Current liability		
GST/HST payable	39	-
Notes payable (Note 4)	<u>1,282,548</u>	<u>-</u>
	<u>1,282,587</u>	<u>-</u>
<b>Net assets</b>		
Invested in properties	5,105,094	787,500
Unrestricted	<u>1,132,222</u>	<u>964,820</u>
	<u>6,237,316</u>	<u>1,752,320</u>
	<u>7,519,903</u>	<u>1,752,320</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board

[Redacted Signature], Director

# A Cappella Foundation

## Statement of Operations

Year ended September 30, 2017

	2017	2016
	\$	\$
<b>Revenue</b>		
Donations from other charities	4,349,975	749,983
Receipted donations (Note 5)	157,910	171,410
Net rental income (Schedule 1)	46,134	-
	<u>4,554,019</u>	<u>921,393</u>
<b>Expenditures</b>		
Gifts to qualified donees	45,000	30,000
Insurance	1,382	1,382
Interest on note payable (Note 5)	47,138	-
Life insurance premiums	104,910	104,910
Professional fees	10,418	1,091
Property taxes	4,126	5,132
	<u>212,974</u>	<u>142,515</u>
Excess of revenue over expenditures before other item	4,341,045	778,878
<b>Other item</b>		
Increase in cash surrender value of life insurance	143,951	156,841
<b>Excess of revenue over expenditures for the year</b>	<u>4,484,996</u>	<u>935,719</u>

The accompanying notes are an integral part of these financial statements.

**A Cappella Foundation**  
**Statement of Changes in Net Assets**  
**Year ended September 30, 2017**

	2017		
	\$		
	<u>Unrestricted</u>	<u>Invested in properties</u>	<u>Total</u>
Balance, beginning of year	964,820	787,500	1,752,320
Excess of revenues over expenditures for the year	4,484,996	-	4,484,996
Transfers			
Purchase of property	(5,626,795)	5,626,795	-
Notes payable issued on purchase	1,282,548	(1,282,548)	-
Amortization of property	26,653	(26,653)	-
Balance, end of year	1,132,222	5,105,094	6,237,316
			2016
			\$
	<u>Unrestricted</u>	<u>Invested in properties</u>	<u>Total</u>
Balance, beginning of year	816,601	-	816,601
Excess of revenues over expenditures for the year	935,719	-	935,719
Transfer			
Purchase of property	(787,500)	787,500	-
Balance, end of year	964,820	787,500	1,752,320

*The accompanying notes are an integral part of these financial statements.*

# A Cappella Foundation

## Statement of Cash Flows

Year ended September 30, 2017

	2017	2016
	\$	\$
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures for the year	4,484,996	935,719
Item not affecting cash		
Amortization of properties	26,653	-
Changes in non-cash working capital		
GST rebate receivable	(1,211)	(26)
GST/HST payable	39	-
	<u>4,510,477</u>	<u>935,693</u>
<b>Cash flows from (used in) investing activities</b>		
Cash surrender value of life insurance	(143,950)	(156,841)
Purchase of property	(5,626,795)	(787,500)
	<u>(5,770,745)</u>	<u>(944,341)</u>
<b>Cash flows from financing activity</b>		
Proceeds from notes payable	1,282,548	-
<b>Increase (decrease) in cash during the year</b>	22,280	(8,648)
Cash, beginning of year	<u>3,627</u>	<u>12,275</u>
<b>Cash, end of year</b>	<u>25,907</u>	<u>3,627</u>

The accompanying notes are an integral part of these financial statements.

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# A Cappella Foundation

## Notes to the Financial Statements

### September 30, 2017

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#### 1. Operations

A Cappella Foundation (the "Foundation") was established under the *Canada Corporations Act*, a Canadian federal statute, on October 25, 2005. On July 9, 2013, the Foundation transitioned to the new *Canada Not-for-profit Corporations Act*.

The Foundation is exempt from income taxes under Section 149 of the *Income Tax Act (Canada)* as it is a registered charity. The Foundation must satisfy a number of criteria in order to retain its status as a registered charity.

#### 2. Significant accounting policies

##### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

##### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Properties

Properties are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of each property using the declining balance method at the following annual rates:

Building	-	4%
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##### Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of long-lived assets is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

##### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which are generally in the form of donations. Donations are recognized as revenue when receivable if the amount can be estimated and collection is reasonably assured.

Rental income is recognized on a monthly basis as earned, when all contractual obligations have been satisfied and when collection is reasonably assured. Amounts received before these criteria are satisfied are recorded as deferred revenue.

# A Cappella Foundation

## Notes to the Financial Statements

### September 30, 2017

3. Properties	2017	2016
	\$	\$
Building, cost	1,332,662	-
Less: Accumulated amortization	<u>(26,653)</u>	<u>-</u>
	1,306,009	-
<b>Land</b>	<b>5,081,633</b>	<b>787,500</b>
	<u>6,387,642</u>	<u>787,500</u>

#### 4. Notes payable

The Foundation has a non-interest bearing note payable with no fixed terms of repayment of \$ 622,161 (2016 - \$ Nil) and a note payable of \$ 660,387 (2016 - \$ Nil) bearing interest at a fixed rate of 4.00% per annum and maturing on December 23, 2019.

#### 5. Related party transactions

Unless otherwise stated, related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) During the year ended September 30, 2017, the Foundation purchased real property for \$ 5,625,000 from a corporation controlled by a director of the Foundation.
- b) During the year ended September 30, 2016, the Foundation purchased real property for \$ 787,500 from a corporation controlled by a director of the Foundation.
- c) Included in receipted donations is \$ 157,910 (2016 - \$ 171,410) of donations received from a director of the Foundation.
- d) Included in interest on note payable is \$ 47,138 (2016 - \$ Nil) of interest paid to a corporation controlled by a director of the Foundation.

#### 6. Financial Instruments

Financial instruments consist of cash, cash surrender value of life insurance, GST/HST payable and notes payable.

##### Interest rate risk

The notes payable bears interest at fixed rates and therefore do not expose the Foundation to interest rate risk.

##### Credit risk

Cash is exposed to credit risk due to the potential for counterparties to default on their contractual obligations.

The Foundation estimates its maximum credit risk for cash at the amount recorded on the balance sheet.

Schedule 1

**A Cappella Foundation****Statement of Rental Income****Year ended September 30, 2017**

	2017	2016
<b>Revenue</b>		
Rental	76,301	-
Signage	<u>450</u>	<u>-</u>
	<u>76,751</u>	<u>-</u>
<b>Expenses</b>		
Amortization of properties	26,653	-
Interest and bank charges	92	-
Insurance	1,078	-
Management fees	5,085	-
Office and miscellaneous	124	-
Property taxes	20,517	-
Repairs and maintenance	11,923	-
Utilities	4,762	-
Waste removal	<u>4,669</u>	<u>-</u>
	74,903	-
Less: Expenses recovered from tenants	<u>44,286</u>	<u>-</u>
	30,617	-
<b>Net rental income for the year</b>	<u>46,134</u>	<u>-</u>