

URBAN ACADEMY SOCIETY

Financial statements

June 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Urban Academy Society

Qualified Opinion

We have audited the financial statements of Urban Academy Society (the "Society"), which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations ("ASNPO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2021 and 2020, current assets as at June 30, 2021 and 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the 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 qualified 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 ASNPO, 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.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's 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 auditor's 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:

- ◆ 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 auditor's 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 auditor's 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.



Chartered Professional Accountants

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September 20, 2021

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URBAN ACADEMY SOCIETY**STATEMENT OF FINANCIAL POSITION**

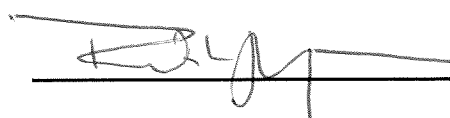
As at June 30, 2021

| | 2021 | 2020 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 4,698,922 | \$ 3,188,694 |
| Restricted cash - note 3 | 729,438 | 621,786 |
| Accounts receivable | 55,362 | 11,356 |
| Prepaid expenses | 62,113 | 30,374 |
| Government agencies recoverable | 42,002 | 22,237 |
| | 5,587,837 | 3,874,447 |
| Capital assets - note 4 | 22,027,219 | 21,352,469 |
| | \$ 27,615,056 | \$ 25,226,916 |
| LIABILITIES AND NET ASSETS | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 408,306 | \$ 192,830 |
| Deferred revenue | 3,846,605 | 2,863,876 |
| Current portion of long-term debt - note 5 | 1,993,029 | 343,325 |
| Parent equity units due within one year - note 6 | 420,000 | 530,000 |
| | 6,667,940 | 3,930,031 |
| Parent equity units - note 6 | 6,590,000 | 5,340,000 |
| Long-term debt - note 5 | 12,504,538 | 14,489,881 |
| Deferred capital contributions - note 7 | 50,000 | 70,000 |
| | 25,812,478 | 23,829,912 |
| Net assets | | |
| Invested in capital assets | 2,911,658 | 2,160,576 |
| Unrestricted net assets | (1,109,080) | (763,572) |
| | 1,802,578 | 1,397,004 |
| | \$ 27,615,056 | \$ 25,226,916 |

Subsequent events - note 10

On behalf of the board


 Director


 Director

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

URBAN ACADEMY SOCIETY**STATEMENT OF OPERATIONS**

Year Ended June 30, 2021

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Revenue | | |
| Tuition, consolidated fees and registration | \$ 3,983,648 | \$ 3,202,355 |
| Government grants | 1,453,756 | 1,196,700 |
| Donations | 260,853 | 223,044 |
| Out of school care | 185,872 | 214,200 |
| Parent auxiliary | 115,178 | 106,570 |
| Amortization of deferred capital contributions | 20,000 | 20,000 |
| | 6,019,307 | 4,962,869 |
| Expenses | | |
| Teachers' wages and benefits | 2,607,308 | 2,169,561 |
| Administration salaries and expenses - note 9 | 941,761 | 756,547 |
| Amortization | 668,170 | 635,320 |
| Interest on long-term debt | 549,548 | 521,210 |
| Parent auxiliary expenses | 178,981 | 147,541 |
| Out of school care salaries and expenses | 153,735 | 155,600 |
| Professional fees | 127,682 | 109,663 |
| Supplies | 86,324 | 56,585 |
| Advertising and promotion | 71,091 | 85,711 |
| Repairs and maintenance | 70,230 | 83,356 |
| Utilities | 56,767 | 50,704 |
| Insurance | 54,662 | 37,616 |
| Fundraising | 37,675 | 9,895 |
| Professional development | 22,260 | 7,395 |
| Bank charges and interest | 5,191 | 5,045 |
| | 5,631,385 | 4,831,749 |
| Excess of revenue over expenses before other income | 387,922 | 131,120 |
| Other income | | |
| Interest and other income | 17,652 | 33,739 |
| Excess of revenue over expenses for the year | \$ 405,574 | \$ 164,859 |

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

URBAN ACADEMY SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2021

| 2021 | | | |
|--|---------------------|---------------------------------------|-----------------------|
| | Total | Invested in capital assets | Unrestricted |
| Net assets, beginning of year | \$ 1,397,004 | \$ 2,160,576 | \$ (763,572) |
| Excess (deficiency) of revenue over expenses | 405,574 | (668,170) | 1,073,744 |
| Purchase of capital assets | - | 1,342,920 | (1,342,920) |
| Repayment of capital asset financing | - | 343,266 | (343,266) |
| Capital asset costs in accounts payable | - | (266,934) | 266,934 |
| Net assets, end of year | \$ 1,802,578 | \$ 2,911,658 | \$ (1,109,080) |
| 2020 | | | |
| | Total | Invested in capital assets | Unrestricted |
| Net assets, beginning of year | \$ 1,232,145 | \$ 505,674 | \$ 726,471 |
| Excess (deficiency) of revenue over expenses | 164,859 | (635,320) | 800,179 |
| Purchase of capital assets | - | 1,075,111 | (1,075,111) |
| Repayment of term loan | - | (961,546) | 961,546 |
| Financing for capital assets | - | 221,125 | (221,125) |
| Payment of capital asset costs in accounts payable | - | 1,955,532 | (1,955,532) |
| Net assets, end of year | \$ 1,397,004 | \$ 2,160,576 | \$ (763,572) |

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

URBAN ACADEMY SOCIETY**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash flows from (used in) operating activities | | |
| Excess of revenue over expenses | \$ 405,574 | \$ 164,859 |
| Items not requiring an outlay of cash: | | |
| Amortization | 668,170 | 635,320 |
| Amortization of deferred capital contributions | (20,000) | (20,000) |
| Amortization of financing fee within interest on long-term debt | 7,628 | 7,628 |
| | 1,061,372 | 787,807 |
| Changes in non-cash working capital items | | |
| Decrease (increase) in accounts receivable | (44,006) | 7,318 |
| Decrease (increase) in prepaid expenses | (31,739) | 15,448 |
| Decrease (increase) in government agencies recoverable | (19,765) | 216,500 |
| Decrease in accounts payable and accrued liabilities | (51,458) | (1,949,004) |
| Increase in deferred revenue | 982,729 | 364,016 |
| | 1,897,133 | (557,915) |
| Cash flows from (used in) financing activities | | |
| Proceeds from long-term debt | - | 961,546 |
| Redemption of parent equity units | (590,000) | (635,000) |
| Proceeds from issuance of parent equity units | 1,730,000 | 1,390,000 |
| Repayment of long-term debt | (343,266) | (221,125) |
| | 796,734 | 1,495,421 |
| Cash flows from (used in) investing activity | | |
| Purchase of capital assets | (1,075,987) | (1,075,111) |
| Increase (decrease) in cash | 1,617,880 | (137,605) |
| Cash, beginning of year | 3,810,480 | 3,948,085 |
| Cash, end of year | \$ 5,428,360 | \$ 3,810,480 |
| Cash consists of: | | |
| Cash | \$ 4,698,922 | \$ 3,188,694 |
| Restricted cash - note 3 | 729,438 | 621,786 |
| | \$ 5,428,360 | \$ 3,810,480 |
| Other information | | |
| Capital assets included in accounts payable and accrued liabilities | \$ 266,934 | \$ - |
| Conversion of credit facility to long-term debt | - | 12,463,454 |

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

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

1. NATURE OF OPERATIONS

The Urban Academy Society (the "Society") was registered on August 10, 2001 pursuant to the Society Act of the Province of British Columbia and transitioned on September 21, 2018 to the Societies Act of the Province of British Columbia. The Society is a registered charity under the Income Tax Act and is exempt from income taxes under sections 149(1)(f) of the Act.

The Society was established to operate a non-denominational, co-educational school that is available to all members of the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Society were prepared in accordance with Canadian accounting standards for not-for-profit organizations on a basis consistent with that of the prior year, and include the following significant accounting policies.

(a) Cash

The policy of the Society is to disclose bank balances and temporary investments with a maturity of three months or less from the date of acquisition under cash.

(b) Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the following rates and methods:

| | | |
|-------------------------|----------|-------------------|
| Buildings | 40 years | Straight-line |
| Textbooks | 5 years | Straight-line |
| Furniture and equipment | 20% | Declining balance |
| Computer equipment | 55% | Declining balance |
| Computer software | 100% | Declining balance |

Property under development are the costs incurred for building the fifth floor addition of the campus. Amortization of the new addition will not begin until construction is complete and the addition is ready for its intended use. Capitalized costs for the building include development costs, net revenue or expense derived from incidental operations and other direct costs incurred in connection with the development and construction of the addition.

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

(c) **Revenue recognition**

The Society follows the deferral method of accounting for contributions.

The Society recognizes revenue from tuition, consolidated fees, and out of school care as earned over the school year. Tuition received in advance of the school year is recorded as deferred revenue and will be recognized as revenue in the period to which it relates. Registration fees and parent auxiliary revenue are recognized as revenue as received.

Government grants are for the operating expenses of the school and are subject to limitations based on a per-student operating cost formula. Government grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted donations are recognized as revenue in the year in which the related expenses are recognized. Donations restricted for the purchase of capital assets are deferred and amortized into revenue on a basis and rate corresponding with the amortization expense of the related capital assets.

(d) **Contributed services**

Volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value of the volunteer labour, the value of contributed services are not recognized in the financial statements.

(e) **Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for non-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 revenues and expenses during the reported period. Estimates are used for, but are not limited to, the accounting for doubtful accounts, useful lives of capital assets, current portion of parent equity, impairments and contingencies. Actual results may differ from those estimates.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

(f) **Financial instruments**

(i) **Measurement of financial instruments**

The Society initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses in the period incurred.

Financial assets measured at amortized cost include cash, term deposits (in restricted cash), and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, parent equity units and long-term debt.

(ii) **Impairment**

For financial assets measured at cost or amortized cost, the Society determines whether there are indications of possible impairment. When there is an indication of impairment, and the Society determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess of revenue over expenses.

(iii) **Transaction costs**

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

(f) **Financial instruments, continued**

(iv) **Financial instrument risks**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society's exposure to the risk of changes in market interest rates relates primarily to the Society's long-term debt obligation with a floating interest rate (note 10).

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its trade accounts payable and current portion of parent equity amounts. Liquidity risk is mitigated due to the Society taking into account expected cash flow from operations and holding of cash to meet its short-term operating requirements.

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

3. RESTRICTED CASH

The Society has designated the following amounts as restricted cash:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Ten percent of cash raised from the issuance of parent equity units is restricted for the purpose of making property related payments and redeeming units in accordance with the parent equity unit offering memorandum | \$ 701,000 | \$ 587,000 |
| HSBC term deposit for credit cards | 20,000 | 20,000 |
| Cash in gaming account | 8,438 | 14,786 |
| | \$ 729,438 | \$ 621,786 |

There is an internal policy approved by the Board of Directors requiring the Society to maintain 10% of outstanding parent equity funds in restricted cash. The Society was in compliance with this policy as at June 30, 2021.

4. CAPITAL ASSETS

| | 2021 | | 2020 | |
|----------------------------|----------------------|--------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net Book Value | Net Book Value |
| Land | \$ 1,975,339 | \$ - | \$ 1,975,339 | \$ 1,975,339 |
| Buildings | 19,215,215 | 1,107,956 | 18,107,259 | 18,536,956 |
| Textbooks | 198,272 | 117,565 | 80,707 | 81,449 |
| Furniture and equipment | 505,820 | 170,461 | 335,359 | 325,482 |
| Computer equipment | 412,113 | 313,907 | 98,206 | 117,918 |
| Computer software | 29,222 | 29,222 | - | - |
| Property under development | 1,430,349 | - | 1,430,349 | 315,325 |
| | \$ 23,766,330 | \$ 1,739,111 | \$ 22,027,219 | \$ 21,352,469 |

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

5. **LONG-TERM DEBT**

| | 2021 | 2020 |
|---|---------------|---------------|
| Commercial mortgage from First Western Credit Union bearing interest at 3.65% per annum, with monthly blended payments of \$68,294. The loan matures October 25, 2024 and is secured by an assignment of rent, a general security agreement, and the land and building with a carrying value of \$21,505,064 (2020 - \$20,827,620). | \$ 12,860,607 | \$ 13,203,874 |
| Series A, 4% secured community mortgage bonds issued on February 16, 2015 with full principal payment of \$1,641,411 due February 16, 2022. Deferred interest of \$32,828 is included in accounts payable and accrued liabilities. | 1,636,960 | 1,629,332 |
| | 14,497,567 | 14,833,206 |
| Less current portion | 1,993,029 | 343,325 |
| Due beyond one year | \$ 12,504,538 | \$ 14,489,881 |
| Estimated principal repayments are as follows: | | |
| 2022 | \$ 1,993,029 | |
| 2023 | 369,285 | |
| 2024 | 382,991 | |
| 2025 | 11,752,262 | |
| | \$ 14,497,567 | |

Under the terms of its credit agreement with First West Credit Union, the Society is required to maintain certain financial covenants. At June 30, 2021, the Society was in compliance with these covenants.

6. **PARENT EQUITY UNITS**

| | 2021 | 2020 |
|--|--------------|--------------|
| Non-interest bearing parent equity units are repayable 120 days after receipt of written notice of a student's withdrawal from the school (subordinate to the long-term debt of the Society, note 5) | \$ 7,010,000 | \$ 5,870,000 |
| Less current portion | (420,000) | (530,000) |
| | \$ 6,590,000 | \$ 5,340,000 |

As of June 30, 2021, a total of 1,402 (2020 - 1,174) units, at \$5,000 per unit, were outstanding. The parents of all students are required to subscribe to four units per child, except parents of Junior Kindergarten students, who are required to subscribe to two units per child (2020 - one unit). Families subscribe to a maximum of eight units per family.

URBAN ACADEMY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

7. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents the unamortized amount of donations received to use towards the construction and furnishing of the Society's current premises. The deferred contribution was fully used in 2019 on furniture and equipment and is being amortized into income over the five year useful life of the assets.

8. EMPLOYEE REMUNERATION

The Societies Act (British Columbia) requires a society (other than a society designated as a member-funded society) to include, in its financial statements, the disclosure of any remuneration paid to its directors, and remuneration paid to employees and contractors earning more than \$75,000 during the fiscal year. For the financial year-ended June 30, 2021, the ten most highly remunerated employees earned \$963,283. Of which, seven (2020 - two) of these individuals earned \$577,100 (2020 - \$178,689) included in teachers' wages and benefits and three (2020 - two) of these individuals earned \$386,183 (2020 - \$295,409) included in administration salaries and expenses. No honoraria were paid to members of the Board of Directors for the 2021 fiscal year.

9. COVID-19 IMPACT

The outbreak of the Coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Society in future periods.

The Society received a grant of \$49,995 from the Government of BC's Safe Return to Class Fund program during the 2021 fiscal year to fund extra COVID-19 supplies. This amount has been included in administrative salaries and expenses.

10. SUBSEQUENT EVENT

On August 16, 2021, the Society received its first draw on a new, construction loan credit facility in the amount of \$349,566. The credit facility has an authorized limit of \$3,000,000, bearing interest at the bank's prime rate plus 1.5% per annum. As of August 16, 2021, the bank's prime rate was 2.45%. Interest is payable monthly with principal repayment due in full on February 16, 2023. The Society intends to add a fifth floor to its current building at an estimated cost of \$4,100,000.
