

**TEMPO SCHOOL**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**



## CONTENTS

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-11





# ST. ARNAUD PINSENT STEMAN

CHARTERED PROFESSIONAL ACCOUNTANTS

Daniel J. St. Arnaud, CPA, CA\*\*

John H.C. Pinsent, FCPA, FCA, ICD.D\*\*

Benardus C. Steman, CPA, CA, CFA\*\*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Tempo School

### Opinion

We have audited the financial statements of Tempo School (the "School"), which comprise the statement of financial position as at August 31, 2020, and the statement of revenues and expenses, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tempo School as at August 31, 2020, and its financial performance and its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the School 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 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 organization, 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 School'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 School or to cease operations, or has no realistic alternative but to do so.

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

## **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 School'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 School'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 School 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.

November 23, 2020  
Edmonton, Alberta

*John H.C. Pinsent Professional Corporation*

John H. C. Pinsent Professional Corp.  
Chartered Professional Accountant





**TEMPO SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,979,124	\$ 2,603,045
Short-term investments	1,581,974	1,466,020
Accounts receivable	9,885	6,166
Goods and services tax receivable	20,101	24,580
Prepaid expenses	<u>29,309</u>	<u>13,338</u>
	4,620,393	4,113,149
<b>LONG-TERM INVESTMENTS</b>		
	-	100,000
<b>CAPITAL ASSETS (note 3)</b>		
	<u>2,270,985</u>	<u>1,848,828</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,891,378</u>	<u>\$ 6,061,977</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 115,189	\$ 36,804
Deferred capital contributions (note 4)	197,411	186,810
Deferred revenue (note 4)	<u>724,537</u>	<u>958,620</u>
	1,037,137	1,182,234
<b>UNAMORTIZED CAPITAL CONTRIBUTIONS (note 5)</b>		
	82,650	88,560
<b>RETIRING ALLOWANCE LIABILITY (note 6)</b>		
	<u>70,334</u>	<u>69,196</u>
<b>TOTAL LIABILITIES</b>	1,190,121	1,339,990
<b>COMMITMENTS (note 7)</b>		
<b>NET ASSETS</b>		
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	2,188,335	1,863,725
<b>UNRESTRICTED NET ASSETS AVAILABLE</b>	2,103,838	2,039,474
<b>INTERNALLY RESTRICTED RESERVE (note 9)</b>	<u>1,409,084</u>	<u>818,788</u>
	<u>5,701,257</u>	<u>4,721,987</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,891,378</u>	<u>\$ 6,061,977</u>

On behalf of the board:

\_\_\_\_\_  
 Director

*See accompanying notes to financial statements*



**TEMPO SCHOOL**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>Investments in Capital Assets</u>	<u>Unrestricted Net Assets Available</u>	<u>Internally Restricted Reserves</u>	<u>2020 Total</u>	<u>2019 Total</u>
Balance, beginning of year	\$ 1,863,725	\$ 2,039,474	\$ 818,788	\$ 4,721,987	\$ 3,541,395
Excess of revenues over expenses	-	979,270	-	979,270	1,180,592
Transfer to restricted reserves	-	(590,296)	590,296	-	-
Transfer to investment in capital assets	444,041	(444,041)	-	-	-
Amortization of capital assets	(125,341)	125,341	-	-	-
Amortization of deferred capital	<u>5,910</u>	<u>(5,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 2,188,335</u>	<u>\$ 2,103,838</u>	<u>\$ 1,409,084</u>	<u>\$ 5,701,257</u>	<u>\$ 4,721,987</u>

*See accompanying notes to financial statements*



**TEMPO SCHOOL**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>2020</u> <u>Actual</u>	<u>2020</u> <u>Budget</u> (note 8)	<u>2019</u> <u>Actual</u>
<b>REVENUES</b>			
Grants			
Provincial Government	\$ 2,351,497	\$ 2,410,000	\$ 2,470,470
Federal Government - French language	2,693	-	4,602
Instructional fees	3,274,604	3,815,690	3,228,518
Non-instructional fees	111,811	224,400	208,073
Other sales and services	65,504	-	62,738
Investment income	27,182	10,000	29,642
Other grants and donations	<u>10,645</u>	<u>28,000</u>	<u>900</u>
	<u>5,843,936</u>	<u>6,488,090</u>	<u>6,004,943</u>
<b>EXPENSES</b>			
Salaries, wages and benefits	4,019,119	3,021,590	3,879,044
Services, contracts and supplies	693,070	824,700	808,159
Amortization of capital assets	125,341	-	111,562
Interest and bank charges	<u>27,136</u>	<u>30,000</u>	<u>25,586</u>
	<u>4,864,666</u>	<u>3,876,290</u>	<u>4,824,351</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 979,270</u>	<u>\$ 2,611,800</u>	<u>\$ 1,180,592</u>

*See accompanying notes to financial statements*



**TEMPO SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net income during the year	\$ 979,270	\$ 1,180,592
Items not affecting cash flow:		
Amortization of capital assets	125,341	111,562
Amortization of capital allocations revenue	<u>(5,910)</u>	<u>(6,096)</u>
	1,098,701	1,286,058
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(3,719)	10,030
Goods and services tax receivable	4,479	(1,796)
Prepaid expenses	(15,971)	39,254
Accounts payable and accrued liabilities	78,385	(54,199)
Deferred revenue, net of deferred capital contributions	(223,482)	246,003
Retiring allowance	<u>1,138</u>	<u>1,821</u>
	939,531	1,527,171
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Purchase of short-term investments	(115,954)	(135,987)
Redemption of long-term investments	100,000	100,000
Purchase of capital assets	<u>(547,498)</u>	<u>(292,029)</u>
	<u>(563,452)</u>	<u>(328,016)</u>
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		
Capital contributions received	-	6,000
<b>Net increase in cash during the year</b>	376,079	1,205,155
<b>CASH - beginning of year</b>	<u>2,603,045</u>	<u>1,397,890</u>
<b>CASH - end of year</b>	<u>\$ 2,979,124</u>	<u>\$ 2,603,045</u>

*See accompanying notes to financial statements*





# TEMPO SCHOOL

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

### 1. NATURE OF OPERATIONS

Tempo School ("the School") is an Edmonton based private school operating under the private school regulations described within the Alberta School Act. The School was officially incorporated under the Tempo School Act in 1967 and is a registered charity and, as such, is exempt from corporate income taxes.

### 2. ACCOUNTING POLICIES

#### Basis of Presentation

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

#### Accounting Estimates

In preparing the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, management must make estimates such as the useful life and amortization of capital assets. The precise determination of many assets and liabilities presented in these financial statements are dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations that have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies.

#### Cash and Cash Equivalents

The School's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents. Term deposits relating to reserves that the School cannot use for current transactions are excluded from cash and cash equivalents.

#### Financial Instruments

The School initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets subsequently measured at amortized cost are cash, term deposits, trade and other receivables, and grants receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

#### Risks Arising from Financial Instruments

It is management's opinion that the School is not exposed to significant interest, currency, price or credit risk arising from their financial instruments. The fair value of the financial instruments approximate their carrying values due to the short maturity or capacity for prompt liquidation.



**TEMPO SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**2. ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

The School follows the deferral method of accounting for contributions. 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.

Instruction and support allocations are recognized in the year to which they relate. Fees for services related to courses and programs are recognized as revenue when such courses and programs are provided.

Capital allocations from the Province or other agencies are recorded as deferred capital contributions until spent. Once spent, they are transferred to unamortized capital allocations which are amortized to revenue on the same basis as the capital asset acquired by the grant.

Unrestricted donations are recognized as revenue when received or receivable. Donations in kind are recorded at fair market value when reasonably determinable.

Externally restricted contributions are deferred and recognized as revenue in the period in which the restriction is complied with. Endowment funds which are to be retained as net assets are recorded as direct increases in trust assets and liabilities.

Capital Assets

Capital assets are recorded at cost. Amortization has been provided annually on a diminishing balance basis at the following rates:

Building	4%
Furniture and equipment	10%
Instructional equipment	20%
Computer hardware	20%
Computer software	50%

Amortization is calculated at one-half of the annual rate in the year the asset is acquired.

Contributed Services

Volunteers assist the School in carrying out certain activities. Because of the difficulty of determining their fair value and the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

Income Taxes

The School is a charitable organization and as such is exempt from income taxes.



**TEMPO SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2020**

**3. CAPITAL ASSETS**

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 24,027	\$ -	\$ 24,027	\$ -
Building	3,127,434	1,332,602	2,603,857	1,268,725
Furniture and equipment	866,373	512,227	862,888	473,071
Instructional equipment	21,143	18,756	21,143	18,159
Computers	<u>208,737</u>	<u>113,144</u>	<u>188,300</u>	<u>91,432</u>
	<u>\$ 4,247,714</u>	<u>\$ 1,976,729</u>	<u>\$ 3,700,215</u>	<u>\$ 1,851,387</u>
Net book value	<u>\$ 2,270,985</u>		<u>\$ 1,848,828</u>	

**4. DEFERRED REVENUE**

Deferred revenue is primarily comprised of tuition and program fees collected for the subsequent school year, plus unspent funds raised by various clubs or the Parent Advisory Council.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,145,430	\$ 899,523
Received during the year	742,163	1,087,573
Recognized as revenue during the year	<u>(965,645)</u>	<u>(841,666)</u>
Balance, end of year	<u>\$ 921,948</u>	<u>\$ 1,145,430</u>

**5. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions are comprised of capital grant funds received for the purchase of certain capital assets of the School.

	<u>2020</u>	<u>2019</u>
Unamortized balance, beginning of year	\$ 88,560	\$ 88,656
Received during the year	-	6,000
Recognized as revenue during the year	<u>(5,910)</u>	<u>(6,096)</u>
Unamortized balance, end of year	<u>\$ 82,650</u>	<u>\$ 88,560</u>

**6. RETIREMENT ALLOWANCE**

In 2004, the Board approved a retirement allowance program in which certain long-serving teachers were eligible to participate, based on their years of service with the School. The retirement allowance calculation is based upon the teacher's current salary at the time the allowance is paid, and the number of years of eligible service.





**TEMPO SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2020**

**6. RETIREMENT ALLOWANCE (CONTINUED)**

Each year, the service cost relating to the retirement allowance program is charged to payroll expense. In 2020, \$1,138 (2019 – \$1,821) was recognized as an expense relating to this retiring allowance and \$nil was paid out during the year (2019 – \$nil). New teachers hired subsequent to 1985 are ineligible for this retiring allowance program, but are eligible to participate in a defined contribution plan, independently administered.

**7. COMMITMENTS**

The School leases a copier under a long-term lease that expires July 2023. Future minimum lease payments to be made in the next three fiscal years are as follows:

2021	\$ 7,682
2022	7,682
2023	<u>5,761</u>
	<u>\$ 21,125</u>

The School receives on-going computer services under long-term agreement that expires August 2022. Future minimum fee payments to be made in the next three fiscal years are as follows:

2021	\$ 42,835
2022	42,835
2023	<u>42,835</u>
	<u>\$ 128,505</u>

**8. BUDGET AMOUNTS**

The budget was prepared by the School's management with the Board of Trustees' approval. It is presented for information purposes only and has not been audited.

**9. INTERNALLY RESTRICTED RESERVE**

In 2010, the Board approved the creation of a \$200,000 capital reserve with the use of the funds being internally restricted. In 2015, the Board approved the creation of an operating reserve. The Board approved that 25% of all future surpluses were to be added to each of these reserves. During the year ended August 31, 2020, \$295,148 (2019 – \$182,318) was added to each of the capital and operating reserves, for a total of \$590,296 (2019 – \$364,637) transferred to reserves based on the previous year surplus. No amounts were drawn down within the reserve during the current year.





**TEMPO SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**10. SUBSEQUENT EVENTS**

The Government of Alberta declared a public health emergency in response to the COVID-19 global pandemic, as of March 17, 2020. In response, the School suspended in-school operations and provided distance learning to students. Federal and Provincial programs, support and regulations are continuously evolving. The ongoing financial impact of this public health emergency has been rapidly evolving, which precludes a reasonable estimate of the overall financial or operational impact on the School.

