

**VICTORIA SYMPHONY SOCIETY
FINANCIAL STATEMENTS
MAY 31, 2015**

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INDEX

	Page
Independent Auditor's Report	
Statement of Financial Position	1
Statement of Changes in Net Assets (Deficiency)	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9



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"It's not what you earn, it's what you keep!"

INDEPENDENT AUDITOR'S REPORT

To the Members of Victoria Symphony Society

We have audited the accompanying financial statements of the Victoria Symphony Society, which comprise the statement of financial position as at May 31, 2015, and the statements of operations, changes in net assets (deficiency) and 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 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.

Basis for qualified opinion

In common with many charitable organizations, the Victoria Symphony Society derives a significant portion of its revenues from donations and fundraising, the completeness of which is not susceptible to audit verification. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the completeness of donation and fundraising revenue, and we were unable to determine whether any adjustments were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Victoria Symphony Society as at May 31, 2015, 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.

Report on other legal and regulatory requirements

As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

MCINTOSH NORTON WILLIAMS
chartered professional accountants

Port Alberni, B.C.
September 3, 2015

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Victoria Symphony Society
Statement of Financial Position
As at May 31, 2015

	2015	2014
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	954,826	427,565
Accounts receivable	46,091	94,537
Prepaid expenses	26,464	50,701
Goods and services tax recoverable	-	1,117
	<u>1,027,381</u>	<u>573,920</u>
Capital assets (Note 5)	<u>186,130</u>	<u>193,632</u>
	<u><u>1,213,511</u></u>	<u><u>767,552</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	128,485	95,818
Wages and benefits payable	46,930	35,059
Goods and services tax payable	12,988	-
Deferred revenue (Note 6)	1,172,102	770,000
Deferred capital contributions (Note 6)	2,250	2,250
	<u>1,362,755</u>	<u>903,127</u>
Long term		
Deferred revenue (Note 6)	-	25,000
Deferred capital contributions (Note 6)	9,750	12,000
	<u>9,750</u>	<u>37,000</u>
	<u><u>1,372,505</u></u>	<u><u>940,127</u></u>
NET ASSETS (DEFICIENCY)		
Unrestricted - page 2	(333,124)	(351,959)
Invested in capital assets - page 2	<u>174,130</u>	<u>179,384</u>
	<u><u>(158,994)</u></u>	<u><u>(172,575)</u></u>
	<u><u>1,213,511</u></u>	<u><u>767,552</u></u>

Approved by the Board of Directors

Brian Butler Director
B. Cunningham Director

Victoria Symphony Society
Statement of Changes in Net Assets(Deficiency)
Year Ended May 31, 2015

	Invested In Capital Assets \$	Unrestricted \$	Total 2015 \$	Total 2014 \$
Balance, beginning of year	<u>179,384</u>	<u>(351,959)</u>	<u>(172,575)</u>	<u>(182,741)</u>
Excess of revenue over expenses - <i>page 3</i>	-	13,581	13,581	10,166
Amortization of capital assets	(21,888)	21,888	-	-
Amortization of deferred capital contributions	2,250	(2,250)	-	-
Capital asset purchases	<u>14,384</u>	<u>(14,384)</u>	<u>-</u>	<u>-</u>
	<u>(5,254)</u>	<u>18,835</u>	<u>13,581</u>	<u>10,166</u>
Balance, end of year - <i>page 1</i>	<u>174,130</u>	<u>(333,124)</u>	<u>(158,994)</u>	<u>(172,575)</u>

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society
Statement of Operations
Year Ended May 31, 2015**

	2015 \$	2014 \$
Revenue		
Earned	1,695,661	1,714,885
Donations and fundraising (Notes 8 & 12)	2,187,130	1,968,964
Government grants	<u>1,230,127</u>	<u>1,199,606</u>
	<u>5,112,918</u>	<u>4,883,455</u>
Expenses		
Artistic (Note 10)	2,634,050	2,454,863
Production	584,525	555,418
Marketing	368,086	370,575
Box office	132,320	122,583
Development and fundraising	302,378	334,666
Administration (Note 11)	968,019	960,184
Victoria Symphony Foundation (Note 9)	<u>109,959</u>	<u>75,000</u>
	<u>5,099,337</u>	<u>4,873,289</u>
Excess of revenue over expenses - page 2	<u>13,581</u>	<u>10,166</u>

The accompanying notes are an integral part of these statements.

Victoria Symphony Society
Statement of Cash Flows
As at May 31, 2015

	2015 \$	2014 \$
Operating Activities		
Excess of revenue over expenses	13,581	10,166
Amortization of capital assets	<u>21,888</u>	<u>19,371</u>
	35,469	29,537
Changes in non-cash working capital items		
Accounts receivable	48,446	(80,145)
Prepaid expenses	24,237	(20,981)
Accounts payable and accrued liabilities	32,667	17,773
Wages and benefits payable	11,871	(627)
Goods and services tax payable	14,105	7,656
Deferred revenue	377,102	(113,803)
Deferred capital contributions	<u>(2,250)</u>	<u>(2,250)</u>
	541,647	(162,840)
Investing Activities		
Acquisition of capital assets	<u>(14,386)</u>	<u>(18,593)</u>
Increase (decrease) in cash & cash equivalents	527,261	(181,433)
Cash & cash equivalents - beginning of year	<u>427,565</u>	<u>608,998</u>
Cash & cash equivalents - end of year	<u>954,826</u>	<u>427,565</u>

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society
Notes to Financial Statements
May 31, 2015**

1. Purpose of the Organization

The Victoria Symphony Society provides orchestral music productions through the operation of the Victoria Symphony Orchestra. The Society is incorporated under the B.C. Society Act as a not-for-profit organization, is a registered charity under the Income Tax Act and, as such, is tax exempt.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are presented in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

- a) The financial statements reflect the assets, liabilities and results of operations of the Society.
- b) Comparative figures have been reclassified, where applicable, to conform to the current presentation.
- c) Cash and cash equivalents include cash on hand, balance with banks and short term deposits with maturities of three months or less.
- d) Donated assets are recorded at their estimated fair market value at the date of receipt. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at the same amortization rate as the related capital assets.

Capital assets are recorded at cost. Amortization of capital assets is determined at rates which will reduce original cost to estimated salvage value over the useful life of each asset. The annual rates used to compute amortization on a straight-line basis are as follows:

Musical Instruments and equipment	5%
Music library	2.5%
Vehicles	10%
Office equipment	20%
Furniture and fixtures	20%
Leasehold improvements	Over the term of the lease

- e) The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets, liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- f) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which include grants and donations. Restricted contributions are recognized as revenue in the year in which the related expenditures 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. Season subscription ticket sales pertaining to the subsequent year are recorded as deferred revenue. See also Note 6.

**Victoria Symphony Society
Notes to Financial Statements
May 31, 2015**

2. Basis of Presentation and Significant Accounting Policies (continued)

g) Contributed services and contra sponsorships:

The Society annually receives a significant amount of volunteer services and contributed professional and marketing services. To the extent that the fair value can be determined, donated services are recognized in the financial statements. The value of volunteer time is not recorded due to the difficulty in valuing such services.

3. Continuing operations

The financial statements have been prepared on a going concern basis which assumes the realization of assets and liabilities and commitments in the normal course of operation. During the year ended May 31, 2015, the Society recorded an excess of revenue over expenses of \$13,581 (2014 - \$10,166). The ability of the Society to continue its planned course of action and to recover its investment in capital and other assets is dependent upon the Society being able to generate deficit funding contributions and future profits from operations.

4. Financial Instruments

The financial instruments of the Society consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, wages and benefits payable. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

5. Capital Assets

	Cost \$	Accumulated Amortization \$	2015 Net \$	2014 Net \$
Musical Instruments and equipment	131,552	95,331	36,221	39,689
Music library	229,065	102,879	126,186	129,858
Office equipment	209,499	194,953	14,546	9,748
Vehicles	27,421	24,678	2,743	5,485
Furniture and fixtures	20,489	19,983	506	488
Leasehold improvements	<u>48,773</u>	<u>42,845</u>	<u>5,928</u>	<u>8,364</u>
	<u>666,799</u>	<u>480,669</u>	<u>186,130</u>	<u>193,632</u>

**Victoria Symphony Society
Notes to Financial Statements
May 31, 2015**

6. Deferred revenue and deferred capital contributions

	2015	2014
	\$	\$
	<hr/>	<hr/>
Opening balance	<u>809,250</u>	<u>925,303</u>
Amounts recognized as revenue in the year:		
Subscription sales	(614,429)	(662,484)
Single ticket sales	(64,817)	(71,043)
Grants and donations	<u>(130,004)</u>	<u>(191,776)</u>
	<u>(809,250)</u>	<u>(925,303)</u>
Amounts deferred to future years:		
Subscription sales	587,096	614,429
Single ticket sales	294,588	64,817
Grants and donations	<u>302,418</u>	<u>130,004</u>
	<u>1,184,102</u>	<u>809,250</u>
 Ending balance	 <u>1,184,102</u>	 <u>809,250</u>

The ending balance is comprised of \$1,172,102 (2014 - \$795,000) deferred revenue and \$12,000 (2014 - \$14,250) deferred capital contributions.

7. Lease Obligation

The Society has entered into an operating lease for rental of commercial offices. The total obligation under this lease over the next four years (with an option to renew for another five years) is as follows (all years are plus triple net):

<u>Year</u>	<u>\$</u>
2016	41,366
2017	43,066
2018	44,200
2019	29,466

8. Donations and Fundraising

Donations and fundraising revenue includes amounts from the Victoria Symphony Foundation (see note 9 Related Party) and the Victoria Foundation (see note 12 Victoria Foundation).

**Victoria Symphony Society
Notes to Financial Statements
May 31, 2015**

9. Related party

The Society has an economic interest in the Victoria Symphony Foundation (the Foundation). The objectives of the Foundation are to promote and support the Society; to assist organizations and institutions involved with young artists interested in a musical career and the furtherance of their artistic progress; to solicit and accept gifts, contributions and requests of all kinds to enable it to carry out its objectives; and to administer such funds by holding, investing and reinvesting them, ensuring, at all times, adherence to the donors' directions.

The Foundation is incorporated under the B.C. Society Act as a not-for-profit organization, is a registered charity under the Income Tax Act and, as such, is tax-exempt.

During the year ended May 31, 2015 the Society received a total of \$724,959 (2014 - \$586,250) from the Foundation. This includes general donations of \$491,165 (2014 - \$388,253), transfer of unrestricted funds of \$188,794 (2014 - \$146,747), transfers from the Baumann Foundation of \$45,000 (2014 - \$45,000), and recognized donations previously deferred of nil (2014 - \$6,250). In addition, the Society donated \$109,959 (2014 - \$75,000) to the Foundation's Endowment Fund.

10. Artistic expenditures

Under the terms of its contract with the Victoria Musicians Association, the Society is required to pay a portion of its surplus (as defined in section 4.10.e of the contract), if any, to its musicians. For the year ended May 31, 2015, the amount payable under this section was nil (2014 - nil).

11. Administration expenditures

Administration expenditures include wages and benefits of the Administration, Development, Marketing and Box Office departments, totalling \$729,626 (2014 - \$705,538).

**Victoria Symphony Society
Notes to Financial Statements
May 31, 2015**

12. Victoria Foundation

The Society receives a portion of the distributions from the following endowment funds held at the Victoria Foundation which are included in donations and fundraising.

	2015	2014
	\$	\$
	<hr/>	<hr/>
Leslie & Murray Glazier Victoria Symphony Young Musicians Fund	2,189	1,500
Helen Stuart & Bob Hoogendoorn/Mozart Fund	9,680	8,804
Victoria Symphony Fund	2,596	2,507
Robert and Lorraine Peck Fund	1,528	1,389
Floyd R Hall Fund for the Arts	1,438	1,187
Robbie & Mary Robinson Family Fund	10,000	-
Cullen Family Fund	-	5,000
APM Fund for the Arts	730	664
M & A Tyler Fund for the Arts	1,250	1,000
Donald N Gain Fund	2,539	2,310
Marsha P. Hanen Fund	25,000	14,959
Brennan-Spano Family	4,000	-
G.F. "Pat" Dunn Family Fund	10,000	10,000
Pass- Through Grants Fund	25,075	25,000
Humby/Framton Fund	-	8,284
	<hr/>	<hr/>
	96,025	82,604
	<hr/>	<hr/>