

Financial Statements of

VICTORIA SYMPHONY SOCIETY

Year ended May 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Directors of Victoria Symphony Society

We have audited the accompanying financial statements of Victoria Symphony Society, which comprise the statement of financial position as at May 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 Victoria Symphony Society as at May 31, 2016, 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.

Comparative Information

The financial statements of the Victoria Symphony Society as at and for the year ended May 31, 2015 were audited by another auditor who expressed a qualified opinion on those financial statements on September 3, 2015.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (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 period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

September 15, 2016
Victoria, Canada

VICTORIA SYMPHONY SOCIETY

Statement of Financial Position

May 31, 2016, with comparative information for 2015

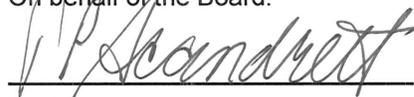
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 808,577	\$ 954,826
Accounts receivable	156,856	46,091
Inventories	1,836	-
Prepaid expenses	38,372	26,464
	<u>1,005,641</u>	<u>1,027,381</u>
Capital assets (note 2)	192,552	186,130
	<u>\$ 1,198,193</u>	<u>\$ 1,213,511</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 130,668	\$ 188,403
Deferred revenue (note 4)	1,176,471	1,172,102
	<u>1,307,139</u>	<u>1,360,505</u>
Deferred capital contributions	9,750	12,000
	<u>1,316,889</u>	<u>1,372,505</u>
Net assets (deficiency)	(118,696)	(158,994)
	<u>\$ 1,198,193</u>	<u>\$ 1,213,511</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

VICTORIA SYMPHONY SOCIETY

Statement of Operations

Year ended May 31, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Earned	\$ 2,120,812	\$ 1,695,661
Donations and fundraising (notes 6, 8 and 11)	2,111,767	2,187,130
Government grants	1,312,058	1,230,127
	<u>5,544,637</u>	<u>5,112,918</u>
Expenditures:		
Artistic	2,744,161	2,634,050
Production	774,129	584,525
Marketing	388,654	368,086
Box office	153,183	132,320
Development and fundraising	258,529	302,378
Administration	998,825	968,019
Contribution to the Victoria Symphony Foundation (note 8)	186,858	109,959
	<u>5,504,339</u>	<u>5,099,337</u>
Excess of revenues over expenditures	<u>\$ 40,298</u>	<u>\$ 13,581</u>

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Changes in Net Assets

Year ended May 31, 2016, with comparative information for 2015

	Invested in capital assets	Unrestricted	2016	2015
Balance, beginning of year	\$ 174,130	\$ (333,124)	\$ (158,994)	\$ (172,575)
Excess of revenues over expenditures	-	40,298	40,298	13,581
Amortization of capital assets	(20,977)	20,977	-	-
Amortization of deferred capital contributions	2,250	(2,250)	-	-
Capital asset purchases	27,401	(27,401)	-	-
Balance, end of year	\$ 182,804	\$ (301,500)	\$ (118,696)	\$ (158,994)

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Cash Flows

Year ended May 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 40,298	\$ 13,581
Item not involving cash:		
Amortization of property, plant and equipment	20,977	21,888
Decrease (increase) in trade receivable	(110,765)	48,446
Increase in inventories	(1,836)	-
Decrease (increase) in prepaid expenses	(11,908)	24,237
Increase (decrease) in accounts payable and accrued liabilities	(57,735)	58,643
Increase in deferred revenue	4,369	377,102
Decrease in deferred capital contribution	(2,250)	(2,250)
	(118,850)	541,647
Investing:		
Purchase of capital assets	(27,399)	(14,386)
Increase (decrease) in cash and cash equivalents	(146,249)	527,261
Cash and cash equivalents, beginning of year	954,826	427,565
Cash and cash equivalents, end of year	\$ 808,577	\$ 954,826

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2016

Nature of operations:

Victoria Symphony Society (the "Society") provides orchestral music productions through the operation of the Victoria Symphony Orchestra. The Society is incorporated under the Society Act (British Columbia) as a not-for profit organization, is a registered charity under the Income Tax Act and, as such, is not subject to income tax.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) 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 ticket receipts are recorded as revenue in the year to which they apply.

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.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives:

Asset	Rate
Music instruments and equipment	5%
Music library	2.5%
Office equipment	20%
Vehicles	10%
Furniture and fixtures	20%
Leasehold Improvements	over the lease term

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(d) Deferred revenue:

Deferred revenue reflects amounts received in the current period that relate to activities that will be performed in the subsequent periods.

(e) Financial instruments:

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost.

(f) Donated materials and services:

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 when such services are used in the normal course of business and would otherwise have been purchased.

The value of volunteer time is not recorded due to the difficulty in valuing such services.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

1. Significant accounting policies (continued):

(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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets. Actual results could differ from those estimates.

2. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Music instruments and equipment	\$ 145,230	\$ 99,483	\$ 45,747	\$ 36,221
Music library	240,427	108,890	131,537	126,187
Office equipment	211,859	201,115	10,744	14,546
Vehicles	27,421	27,421	-	2,743
Furniture and fixtures	20,488	20,140	348	505
Leasehold improvements	24,362	20,186	4,176	5,928
	\$ 669,787	\$ 477,235	\$ 192,552	\$ 186,130

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$7,146 (2015 - \$12,988), which are comprised of amounts payable for GST.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

4. Deferred revenue:

	2016	2015
Opening balance	\$ 1,172,102	\$ 809,250
Amounts recognized as revenue in the year:		
Ticket sales	(881,684)	(679,246)
Grants and donations	(290,418)	(130,004)
	-	-
Amounts deferred to future years:		
Ticket sales	689,091	881,684
Grants and donations	487,380	290,418
Closing balance	\$ 1,176,471	\$ 1,172,102

5. Lease obligation:

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

2017	\$ 43,066
2018	44,200
2019	29,466
	\$ 116,732

6. Revenue:

Included in donations and fundraising revenues are \$72,575 (2015 - \$76,190) of contributed services consisting of production, marketing and event support that would have otherwise been purchased by the Society in the normal course of business.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

7. Financial risks and concentration of risk:

Exposure to credit risk and liquidity risk arises in the normal course of the Society's business.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. For cash and cash equivalents and accounts receivable, the Society's credit risk is limited to the carrying value on the balance sheet. The Society manages the risk associated with the concentration of credit risk through its policy of dealing with credit worthy financial institutions.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2015.

8. Related party transactions:

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 bequests 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 Society Act (British Columbia) 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, 2016 the Society received contributions from the Foundation totaling \$561,858 (2015 - \$724,959). The Society donated \$186,858 to the Foundation which includes a pass-through grant from the Egon Baumann Music Foundation of nil (2015 - \$45,000).

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

9. 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, 2016, the amount payable under this section was nil (2015 - nil).

10. Administration expenditures:

Administration expenditures include wages and benefits of the Administration, Development, Marketing and Box Office departments, totaling \$738,719 (2015 - \$729,626).

11. Victoria Foundation:

During the year, the Society recognized in donations and fundraising revenue \$94,592 (2015 - \$96,025), which includes pass-through grants as well as distributions from various endowment funds held at the Victoria Foundation.