

Financial Statements of

**FOUNDATION FOR THE VICTORIA
SYMPHONY**

Year ended May 31, 2018

FOUNDATION FOR THE VICTORIA SYMPHONY

Table of Contents

Year ended May 31, 2018

Independent Auditors' Report	
	Page
Statement of Financial Position	1
Statement of Revenue and Expenses and Fund Balances	2
Statement of Cash Flows	3
Notes to Financial Statements	4



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INDEPENDENT AUDITORS' REPORT

To the Members of the Foundation for the Victoria Symphony

We have audited the accompanying financial statements of the Foundation for the Victoria Symphony (formerly the Victoria Symphony Foundation), which comprise the statement of financial position as at May 31, 2018, the statement of operations and fund balances, 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.

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 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 the Foundation for the Victoria Symphony (formerly the Victoria Symphony Foundation) as at May 31, 2018, 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 Societies 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
September 4, 2018

FOUNDATION FOR THE VICTORIA SYMPHONY

Statement of Financial Position

May 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 85,420	\$ 68,508
Amount due from Victoria Symphony Society	-	62,067
	<u>85,420</u>	<u>130,575</u>
Investment portfolio (note 3):		
Jarislowsky Fraser	10,128,815	8,972,205
	<u>\$ 10,214,235</u>	<u>\$ 9,102,780</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,926	\$ 4,926
Amount due to Victoria Symphony Society (note 7)	93,876	-
	<u>98,802</u>	<u>4,926</u>
Fund balances (note 4):		
Endowment and restricted	9,215,829	8,679,711
Unrestricted	899,604	418,143
	<u>10,115,433</u>	<u>9,097,854</u>
	<u>\$ 10,214,235</u>	<u>\$ 9,102,780</u>

See accompanying notes to financial statements.

Approved by the Directors:

_____ Director

_____ Director

FOUNDATION FOR THE VICTORIA SYMPHONY

Statement of Operations and Fund Balances

Year ended May 31, 2018, with comparative information for 2017

	Endowment and Restricted Funds		Unrestricted Fund		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Donations and bequests	\$ -	\$ -	\$ 1,288,211	\$ 538,594	\$ 1,288,211	\$ 538,594
Canada Cultural Investment Fund grant (note 4(a))	268,059	437,292	-	-	268,059	437,292
Investment income	-	-	250,130	887,858	250,130	887,858
Vancouver Foundation (note 5)	-	-	16,081	15,410	16,081	15,410
	268,059	437,292	1,554,422	1,441,862	1,822,481	1,879,154
Expenses						
Contribution to the Victoria Symphony Society	-	-	650,000	495,000	650,000	495,000
Development expenses (note 7)	-	-	91,170	48,347	91,170	48,347
Investment management fees	-	-	47,360	43,345	47,360	43,345
Scholarships and donations	-	-	10,000	15,000	10,000	15,000
Professional fees	-	-	4,934	4,830	4,934	4,830
Insurance	-	-	1,350	1,350	1,350	1,350
Office expenses	-	-	88	164	88	164
	-	-	804,902	608,036	804,902	608,036
Excess of revenue over expense	268,059	437,292	749,520	833,826	1,017,579	1,271,118
Interfund transfer (note 6)	268,059	437,292	(268,059)	(437,292)	-	-
Net change in fund balance for year	536,118	874,584	481,461	396,534	1,017,579	1,271,118
Fund balance, beginning of year	8,679,711	7,805,127	418,143	21,609	9,097,854	7,826,736
Fund balance, end of year	\$ 9,215,829	\$ 8,679,711	\$ 899,604	\$ 418,143	\$ 10,115,433	\$ 9,097,854

See accompanying notes to financial statements.

FOUNDATION FOR THE VICTORIA SYMPHONY

Statement of Cash Flows

Year ended May 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Excess of revenue over expenses	\$ 1,017,579	\$ 1,271,118
Investment income net of management fees - not received or incurred in cash	(202,770)	(844,513)
Donations in kind	(160,837)	(99,825)
Changes in non-cash operating working capital	155,943	(66,607)
	<u>809,915</u>	<u>260,173</u>
Investing:		
Proceeds from sale of donations in kind	160,837	99,825
Additions to investment portfolio	(1,583,840)	(867,116)
Withdrawals from investment portfolio	630,000	500,000
	<u>(793,003)</u>	<u>(267,291)</u>
Increase (decrease) in cash position	16,912	(7,118)
Cash position, beginning of year	68,508	75,626
Cash position, end of year	<u>\$ 85,420</u>	<u>\$ 68,508</u>

See accompanying notes to financial statements.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2018

1. Purpose of the Organization:

The objectives of the Foundation for the Victoria Symphony (the "Foundation") are to promote and support the Victoria Symphony Society (the "Society") and the presentation of symphonic music principally on Vancouver Island; 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 objects; 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 and is a registered charity under the Income Tax Act and, as such, is tax exempt. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Foundation has transitioned to the new Act as at May 31, 2018.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. In preparing the financial statements of the Foundation, management makes estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

The financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions to recognize restrictions placed on the use of funds by donors and the Board of Directors of the Foundation.

The Unrestricted Fund reports general revenue and expenditures of the Foundation, investment income and donations received for which there are no restrictions attached by the donor. The Endowment and Restricted Funds reports both endowed externally restricted contributions and internally restricted contributions which have been restricted by the Board of Directors.

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are reported in the Endowment and Restricted Funds.

Investment income (loss) consists of interest and dividend income received from investments along with realized and unrealized gains and losses on investments. The Foundation also receives distributions from the Vancouver Foundation and various donations and bequests.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2018

2. Significant accounting policies (continued):

(c) Donations and bequests:

When matching grants are received from the Canada Cultural Investment Fund, the matched contributions are transferred to the Endowment and Restricted Funds.

(d) Financial instruments:

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

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value, on a trade date basis. All other financial instruments are subsequently recorded at cost.

(e) Donated services and materials:

The Foundation benefits greatly from donated services in the form of volunteer time. The value of donated services is not recognized in these financial statements. Assets donated are recorded at fair value at the date of contribution.

3. Investments:

At May 31, 2018, all of the investments of the Foundation were held and administered through one investment account, Jarislowsky Fraser Global Balanced Fund. The Foundation records its investments at market value based on reported unit values established by the fund managers.

The asset mix of the total amount of the Foundation's investments is as follows:

	2018	2017
Cash and cash equivalents	6%	5%
Fixed income	33%	33%
Equities:		
Canadian	22%	22%
US	18%	19%
International	19%	21%
Emerging markets	2%	-
	100%	100%

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2018

4. Fund balances:

(a) Endowment and Restricted Funds:

Endowment and Restricted Funds includes grants from the Canada Cultural Investment Fund under the terms of an agreement between the Foundation and the Minister of Canadian Heritage. Any appreciation in value of the capital is fully available to be used to support the Symphony.

During the current year the fund has increased as private donor funding contributions of \$406,411 (2017 - \$487,123) were available for matching with a contribution from the Minister of Canadian Heritage, Canada Cultural Investment Fund which paid a grant to the Foundation of \$268,059 (2017 - \$437,292). The fund balance of \$9,215,829 (2017 - \$8,679,711) must be maintained in perpetuity in the Foundation's restricted assets. Income from this fund is unrestricted for the benefit of the Foundation for the Victoria Symphony.

(b) Unrestricted Fund:

This fund is available for expenditures fully at the discretion of the Directors in pursuit of the Foundation's purposes.

(c) Donor specific funds:

The John H. McEown Family Trust consists of donations totalling \$355,897 to May 31, 2018 and Canadian Heritage matching grants of \$318,311, for a total of \$674,208. \$636,622 is included in the Endowment and Restricted Funds and \$37,586 is included in the Unrestricted Fund.

The Sandra Lackenbauer Fund consists of donations totalling \$50,000 to May 31, 2018 and Canadian Heritage matching grants of \$32,980, for a total of \$82,980. \$65,960 is included in the Endowment and Restricted Funds and \$17,020 is included in the Unrestricted Fund.

The Dallas and Len Chapple Fund consists of donations totaling \$900,000 to May 31, 2018. The donor has directed that \$500,000 be included in the 2018 application for Canadian Heritage matching grants. The balance, plus accrued income, will be held in the Unrestricted Fund to be available to the Society as it deems appropriate for artistic purposes and areas of greatest financial need.

5. Vancouver Foundation:

In 1992, 1993, and 1994, the Foundation for the Victoria Symphony invested a total of \$160,000 in order to establish an endowment fund with the Vancouver Foundation. The endowment fund was increased through a matching grant of \$150,000 from the Vancouver Foundation. The estimated market value of this fund at May 31, 2018 was \$441,000 (2017 - \$442,000). The Vancouver Foundation is bound to hold the funds in trust, in perpetuity, for the benefit of the Foundation for the Victoria Symphony while the Foundation for the Victoria Symphony retains the right to income in perpetuity from the initial endowment and any additions thereto. Since the Foundation for the Victoria Symphony only receives income and does not own the accumulated funds, the value of the endowment is not included in these financial statements.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2018

6. Interfund transfer:

The amount transferred from the Unrestricted Fund to the Endowment and Restricted Funds represents donations and bequests matched during the year by grants from the Canada Cultural Investment Fund (see note 4). Matching grants are applied for based on donations and bequests received in a 12 month period ended November 30 in the Foundation's fiscal year and are approved and received prior to the end of the fiscal year.

7. Related party:

As described in note 1, one of the Foundation's objectives is to promote and support the Society. The Foundation is required to have a minimum of six volunteer directors, of whom three are representatives from the Society Board.

During the year ended May 31, 2018, the Foundation contributed to the Society a total of \$650,000 (2017 - \$495,000).

Development expenses of \$91,170 (2017 - \$33,253) are direct expenses incurred by the Society on the Foundation's behalf, plus a portion of the Society's development staff salaries.

8. Financial instruments:

The Foundation is exposed to various financial risks through transactions in financial instruments. It is the Board's opinion that the Foundation's investment managers are taking the necessary steps to mitigate these risks through construction of diversified portfolios of instruments traded on various markets across various industries.

Credit risk:

The Foundation is exposed to credit risk because of the possibility that the counterparty to a financial instrument may cause a loss to the Foundation by failing to discharge an obligation.

Interest rate risk:

The Foundation is exposed to interest rate risk with respect to investments in fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Currency risk:

The Foundation is exposed to currency risk for investments denominated in foreign currencies because the fair values and future cash flows of such investments will fluctuate with the relative values of the foreign currencies against the Canadian dollar.

Market risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.