

Financial Statements of

VICTORIA SYMPHONY FOUNDATION

Year ended May 31, 2016

VICTORIA SYMPHONY FOUNDATION

Financial Statements

Year ended May 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Symphony Foundation

We have audited the accompanying financial statements of Victoria Symphony Foundation, which comprise the statement of financial position as at May 31, 2016, 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 Victoria Symphony Foundation as at May 31, 2016, 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.

Comparative information

The financial statements of the Victoria Symphony Foundation as at and for the year ended May 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 21, 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.

KPMG LLP

Chartered Professional Accountants

July 22, 2016
Victoria, Canada

VICTORIA SYMPHONY FOUNDATION

Statement of Financial Position

May 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 75,626	\$ 16,413
Accounts receivable	3,785	-
	<u>79,411</u>	<u>16,413</u>
Investments (note 3):		
Jarislowky Fraser	7,760,576	-
National Bank Financial	-	2,834,103
RBC Dominion Securities	-	2,399,665
1832 Asset Management - Scotia	-	2,360,243
	<u>7,760,576</u>	<u>7,594,011</u>
	<u>\$ 7,839,987</u>	<u>\$ 7,610,424</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,251	\$ 4,602
Fund balances (note 5):		
Endowment and restricted	7,805,127	6,756,147
Unrestricted	21,609	849,675
	<u>7,826,736</u>	<u>7,605,822</u>
	<u>\$ 7,839,987</u>	<u>\$ 7,610,424</u>

See accompanying notes to financial statements.

VICTORIA SYMPHONY FOUNDATION

Statement of Operations and Fund Balances

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

	Endowment and Restricted Funds		Unrestricted Fund		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Donations and bequests (note 4)	\$ -	\$ -	\$ 651,871	\$ 554,440	\$ 651,871	\$ 554,440
Canada Cultural Investment Fund grant (note 5(a))	524,490	521,083	-	-	524,490	521,083
Investment income (loss)	-	-	(354,200)	220,640	(354,200)	220,640
Vancouver Foundation (note 6)	-	-	14,682	13,906	14,682	13,906
	524,490	521,083	312,353	788,986	836,843	1,310,069
Expenses						
Contribution to the Victoria Symphony Society	-	-	561,848	724,959	561,848	724,959
Investment management fees	-	-	25,085	19,232	25,085	19,232
Scholarships and donations	-	-	15,000	7,500	15,000	7,500
Development expenses	-	-	8,324	-	8,324	-
Professional fees	-	-	3,307	4,725	3,307	4,725
Insurance	-	-	1,421	1,292	1,421	1,292
Office expenses	-	-	944	91	944	91
	-	-	615,929	757,799	615,929	757,799
Excess (deficiency) of revenue over expense	524,490	521,083	(303,576)	31,187	220,914	552,270
Interfund transfer (note 7)	524,490	521,083	(524,490)	(521,083)	-	-
Net change in fund balance for year	1,024,980	1,042,166	(828,066)	(489,896)	220,914	552,270
Fund balance, beginning of year	6,756,147	5,713,981	849,675	1,339,571	7,605,822	7,053,552
Fund balance, end of year	\$ 7,805,127	\$ 6,756,147	\$ 21,609	\$ 849,675	\$ 7,826,736	\$ 7,605,822

See accompanying notes to financial statements.

VICTORIA SYMPHONY FOUNDATION

Statement of Cash Flows

Year ended May 31, 2016, with comparative information for 2015
(Unaudited)

	2016	2015
Operating activities:		
Excess of revenue over expenses	\$ 220,914	\$ 552,270
Investment loss (income), net of management fees - not incurred (received) in cash	379,285	(201,408)
Donations in kind	(51,945)	-
Changes in non-cash operating working capital	4,864	-
	<u>553,118</u>	<u>350,862</u>
Investing:		
Net cash added to investment portfolios	(493,905)	(334,449)
Increase in cash	59,213	16,413
Cash, beginning of year	16,413	-
Cash, end of year	<u>\$ 75,626</u>	<u>\$ 16,413</u>

See accompanying notes to financial statements.

VICTORIA SYMPHONY FOUNDATION

Notes to Financial Statements

Year ended May 31, 2016

1. Purpose of the Organization:

The objectives of the Victoria Symphony Foundation are to promote and support the Victoria Symphony 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.

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.

VICTORIA SYMPHONY FOUNDATION

Notes to Financial Statements

Year ended May 31, 2016

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. 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:

As of May 31, 2016, all of the investments of the Foundation are 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:

	2016	2015
Cash and cash equivalents	4 %	13 %
Fixed income:		
Canadian	33	24
Foreign	-	9
Equities:		
Canadian	22	45
US	22	1
Global	19	5
REITs and other investments	-	3
	100 %	100 %

At May 31, 2016, the asset mix is that of the Jarislowsky Fraser Global Balanced Fund. The comparative numbers are the composite asset mix of the three previous investment managers.

VICTORIA SYMPHONY FOUNDATION

Notes to Financial Statements

Year ended May 31, 2016

4. Donations and bequests:

Included in donations received are amounts totaling of \$186,858 (2015 - \$109,959) received by the Victoria Symphony Society (see note 8) and transferred to the Foundation for the purposes of matching grants by Canadian Heritage.

5. 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 \$524,490 (2015 - \$537,167) 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 \$524,490 (2015 - \$521,083). The fund balance of \$7,805,127 (2015 - \$6,756,147) must be maintained in perpetuity in the Foundation's restricted assets. Income from this fund is unrestricted for the benefit of the Victoria Symphony Foundation.

Included in the Endowment and Restricted Funds is the John H. McEown Family Memorial Fund. The fund consists of donations totaling \$251,313 to May 31, 2016 and Canadian Heritage matching grants of \$237,444, for a total of \$488,757, all of which is permanently restricted.

(b) Unrestricted Fund:

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

6. Vancouver Foundation:

In 1992, 1993, and 1994, the Victoria Symphony Foundation 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, 2016, was \$410,000 (2015 - \$410,000). The Vancouver Foundation is bound to hold the funds in trust, in perpetuity, for the benefit of the Victoria Symphony Foundation while the Victoria Symphony Foundation retains the right to income in perpetuity from the initial endowment and any additions thereto. Since the Victoria Symphony Foundation only receives interest income and does not own the accumulated funds, the endowment is not included in these financial statements.

VICTORIA SYMPHONY FOUNDATION

Notes to Financial Statements

Year ended May 31, 2016

7. 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 5). 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.

8. Related party:

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

During the year ended May 31, 2016 the Foundation contributed to the Society a total of \$561,848 (2015 - \$724,959). This includes transfers from the Society totaling \$186,858 and a grant from the Baumann Foundation of nil (2015 - \$45,000).

9. 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.