

Financial Statements of

VICTORIA SYMPHONY SOCIETY

Year ended May 31, 2018



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

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, 2018, 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, 2018, 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.

Other Matter

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 19, 2018

VICTORIA SYMPHONY SOCIETY

Statement of Financial Position

May 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 735,635	\$ 678,720
Accounts receivable	115,059	174,566
Prepaid expenses	18,949	13,654
Due from Foundation for the Victoria Symphony (note 11)	93,876	-
	<u>963,519</u>	<u>866,940</u>
Capital assets (note 4)	229,387	230,097
	<u>\$ 1,192,906</u>	<u>\$ 1,097,037</u>

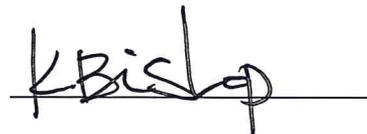
Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 155,665	\$ 152,796
Deferred revenue (note 7)	1,096,394	944,217
Due to the Foundation for the Victoria Symphony	-	61,967
	<u>1,252,059</u>	<u>1,158,980</u>
Deferred capital contributions	32,250	41,000
	<u>1,284,309</u>	<u>1,199,980</u>
Net assets (deficiency)	(91,403)	(102,943)
Lease obligation (note 8)		
	<u>\$ 1,192,906</u>	<u>\$ 1,097,037</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

VICTORIA SYMPHONY SOCIETY

Statement of Operations

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

	2018	2017
Revenues:		
Earned	\$ 1,735,275	\$ 1,714,557
Donations and fundraising (notes 9, 11 and 14)	2,139,282	2,094,013
Government grants (note 16)	1,208,140	1,261,256
	<u>5,082,697</u>	<u>5,069,826</u>
Expenses:		
Artistic	2,794,166	2,669,310
Production	702,515	730,508
Marketing	368,428	386,758
Box office	14,185	15,355
Development and fundraising	240,899	232,735
Administration	950,964	1,019,407
	<u>5,071,157</u>	<u>5,054,073</u>
Excess of revenues over expenses	<u>\$ 11,540</u>	<u>\$ 15,753</u>

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$ 189,097	\$ (292,040)	\$ (102,943)	\$ (118,696)
Excess of revenues over expenses	-	11,540	11,540	15,753
Amortization of capital assets	(16,951)	16,951	-	-
Amortization of deferred capital contributions	8,750	(8,750)	-	-
Capital asset purchases	16,241	(16,241)	-	-
Balance, end of year	\$ 197,137	\$ (288,540)	\$ (91,403)	\$ (102,943)

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 11,540	\$ 15,753
Items not involving cash:		
Amortization of property, plant and equipment	16,951	27,086
Amortization of deferred capital contributions	(8,750)	(8,750)
Decrease (increase) in trade receivable	59,507	(17,710)
Increase in due from Foundation for the Victoria Symphony	(155,843)	-
Decrease in inventories	-	1,836
Decrease (increase) in prepaid expenses	(5,295)	24,718
Increase in accounts payable and accrued liabilities	2,869	594
Increase (decrease) in deferred revenue	152,177	(148,753)
	73,156	(105,226)
Financing:		
Deferred capital contributions	-	40,000
Investing:		
Purchase of capital assets	(16,241)	(64,631)
Increase (decrease) in cash and cash equivalents	56,915	(129,857)
Cash and cash equivalents, beginning of year	678,720	808,577
Cash and cash equivalents, end of year	\$ 735,635	\$ 678,720

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

1. Nature of operations:

Victoria Symphony Society (the "Society") provides orchestral music productions through the operation of the Victoria Symphony Orchestra. The Society was 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. On November 28, 2017, the new Societies Act (British Columbia) became effective. The Society has transitioned to the new act as at May 31, 2018.

2. 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 twelve months from the date of acquisition.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

2. 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:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If the events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

2. Significant accounting policies (continued):

(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

(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.

3. Restricted cash:

The Society receives a restricted grant from the Gaming and Enforcement Branch of the Provincial Government for the purpose of assistance with Society programs or as designated by the contributor. These funds earn interest and are maintained in a separate bank account. As at May 31, 2018, restricted grant cash held by the Society was \$136,641 (2017 - \$124,927).

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book	Net book
Music instruments and equipment	\$ 145,230	\$ 105,697	\$ 39,533	\$ 41,614
Music library	257,793	118,525	139,268	132,633
Office equipment	251,811	219,675	32,136	33,236
Vehicles	27,421	27,421	-	-
Furniture and fixtures	44,043	28,815	15,228	19,035
Leasehold improvements	24,362	21,140	3,222	3,579
	\$ 750,660	\$ 521,273	\$ 229,387	\$ 230,097

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2017 - \$336), which are comprised of amounts payable for GST.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

6. Credit facility:

The Society has an approved credit facility with Island Savings Credit Union of \$50,000 with interest charged at the prime lending rate plus 2%. The balance outstanding at May 31, 2018 is nil (2017- nil).

7. Deferred revenue:

	2018	2017
Opening balance	\$ 944,217	\$ 1,092,970
Amounts recognized as revenue in the year:		
Ticket sales	(629,152)	(605,591)
Grants and donations	(315,065)	(487,379)
	-	-
Amounts deferred to future years:		
Ticket sales	612,435	629,152
Grants and donations	483,959	315,065
Closing balance	\$ 1,096,394	\$ 944,217

8. Lease obligation:

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

2019	\$ 59,351
------	-----------

9. Revenue:

Included in donations and fundraising revenues are \$77,838 (2017 - \$124,782) 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

Year ended May 31, 2018

10. 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. The Society is exposed to credit risk with respect to cash and cash equivalents and accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in an allowance for doubtful accounts. The balance in the allowance for doubtful accounts as at May 31, 2018 is nil (2017 - nil).

(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 2017.

11. Related party transactions:

The Society has an economic interest in the Foundation for the Victoria Symphony (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, 2018 the Society received contributions from the Foundation totaling \$650,000 (2017 - \$495,000), which includes a pass-through grant from the Egon Baumann Music Foundation of \$45,000 (2017 - \$45,000).

Administration expenses include recoveries of \$92,624 (2017 - \$33,253) in costs incurred by the Society on the Foundation's behalf, plus a portion of the Society's development staff salaries. As at May 31, 2018, \$93,876 remains receivable from the Foundation.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

12. 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, 2018, the amount payable under this section was nil (2017 - nil).

13. Administration expenditures:

Administration expenditures include wages and benefits of the Administration, Development, Marketing and Box Office departments, totaling \$689,692 (2017 - \$763,819).

14. Victoria Foundation:

During the year, the Society recognized in donations and fundraising revenue \$154,170 (2017 - \$115,357), which includes pass-through grants as well as distributions from various endowment funds held at the Victoria Foundation.

15. Remuneration paid to employees, directors and contractors:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending May 31, 2018, the Society paid remuneration of \$427,199 (2017 - \$429,471) to three employees and one contractor, each of whom received total annual remuneration of \$75,000 or greater.

16. Government grants:

	2018	2017
Canada Council for the Arts	\$ 363,750	\$ 363,750
Canada Council - Other	8,500	28,000
Canadian Heritage	29,700	44,726
City of Victoria	10,000	12,000
CRD Arts Development	393,430	390,500
BC Arts Council - Operating	299,760	279,480
BC Arts Council - Other	-	18,800
BC Government Community Gaming	100,000	96,000
Province of BC	3,000	28,000
	<u>\$ 1,208,140</u>	<u>\$ 1,261,256</u>

17. Comparative information:

Certain comparative information has been reclassified to conform to current year's presentation. The changes do not affect the prior year accumulated surplus.

