

Financial Statements of

**FOUNDATION FOR THE VICTORIA
SYMPHONY**

Year ended May 31, 2021

FOUNDATION FOR THE VICTORIA SYMPHONY

Table of Contents

Year ended May 31, 2021

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Foundation for the Victoria Symphony (the Entity), which comprise:

- the statement of financial position as at May 31, 2021
- the statement of operations and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at May 31, 2021, its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 by the Entity 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

Victoria, Canada
August 23, 2021

FOUNDATION FOR THE VICTORIA SYMPHONY

Statement of Financial Position

May 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 22,283	\$ 34,297
Restricted Cash - Special Project Fund	83,336	-
	<u>105,619</u>	<u>34,297</u>
Investment portfolio (note 3):		
Jarislowsky Fraser:		
Endowment Restricted and Unrestricted	12,509,031	11,688,295
Future Fund	2,286,437	-
	<u>14,795,468</u>	<u>11,688,295</u>
	<u>\$ 14,901,087</u>	<u>\$ 11,722,592</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,926	\$ 4,926
Amount due to Victoria Symphony Society (note 7)	-	2,223
	<u>4,926</u>	<u>7,149</u>
Fund balances (note 4):		
Endowment and restricted	11,132,801	10,901,621
Future Fund		
Internally restricted	2,286,437	-
Special Project Fund		
Externally restricted	83,336	-
Unrestricted	1,393,587	813,822
	<u>14,896,161</u>	<u>11,715,443</u>
	<u>\$ 14,901,087</u>	<u>\$ 11,722,592</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, 2021, with comparative information for 2020

	Endowment and Restricted	Future Fund	Special Project	Unrestricted Funds	Total 2021	Total 2020
Revenue						
Donations and bequests	\$ -	\$ -	\$ 103,763	\$ 240,347	\$ 344,110	\$ 573,939
Contribution from the Victoria Symphony Society (note 7)	-	-	-	1,500,000	1,500,000	-
Canada Cultural Investment Fund grant (note 4(a))	115,590	-	-	-	115,590	434,288
Investment income	-	(12,529)	-	1,729,775	1,717,246	469,512
Vancouver Foundation (note 5)	-	-	-	17,808	17,808	17,498
	115,590	(12,529)	103,763	3,487,930	3,694,754	1,495,237
Expenses						
Contribution to the Victoria Symphony Society (note 7)	-	-	-	400,000	400,000	630,000
Development expenses (note 7)	-	-	-	16,334	16,334	34,266
Investment management fees	-	1,034	-	57,293	58,327	56,144
Scholarships and donations	-	-	-	10,000	10,000	10,000
Professional fees	-	-	19,495	7,005	26,500	5,250
Insurance	-	-	-	1,450	1,450	1,450
Office expenses	-	-	932	493	1,425	719
	-	1,034	20,427	492,575	514,036	737,829
Excess of revenue over expense	115,590	(13,563)	83,336	2,995,355	3,180,718	757,408
Interfund transfer (note 6)	115,590	2,300,000	-	(2,415,590)	-	-
Net change in fund balance for year	231,180	2,286,437	83,336	579,765	3,180,718	757,408
Fund balance, beginning of year	10,901,621	-	-	813,822	11,715,443	10,958,035
Fund balance, end of year	\$ 11,132,801	\$ 2,286,437	\$ 83,336	\$ 1,393,587	\$ 14,896,161	\$ 11,715,443

See accompanying notes to financial statements

FOUNDATION FOR THE VICTORIA SYMPHONY

Statement of Cash Flows

Year ended May 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Excess of revenue over expenses	\$ 3,180,718	\$ 757,408
Investment income net of management fees - not received or incurred in cash	(1,775,509)	(413,368)
Donations in kind	(33,255)	(18,754)
Changes in non-cash operating working capital	(2,223)	349,725
	<u>1,369,731</u>	<u>675,011</u>
Investing:		
Proceeds from sale of donations in kind	33,255	18,754
Additions to investment portfolio	(1,815,000)	(1,326,784)
Withdrawals from investment portfolio	400,000	630,000
	<u>(1,381,745)</u>	<u>(678,030)</u>
Decrease in cash position	(12,014)	(3,019)
Cash position, beginning of year	34,297	37,316
Cash position, end of year	<u>\$ 22,283</u>	<u>\$ 34,297</u>

See accompanying notes to financial statements.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2021

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.

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 (or loss) 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 that have been restricted by the Board of Directors.

The Future Fund was established by the Foundation Board in December 2020 in collaboration with the Board of Victoria Symphony Society to enhance the Foundation's ability to provide financial support to the Society, in particular in periods when there may be insufficient funds otherwise available in the Foundation's Unrestricted Fund.

The Special Project Fund was created in August 2020 by a donor to fund a study into the development of a new facility for the Society and other performing arts organizations in the Greater Victoria area

Revenues and direct expenses attributable to the Future Fund and the Special Project Fund are reported in those funds

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2021

2. Significant accounting policies (continued):

(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.

Contributions designated for the Future Fund or the Special Project fund are recognized as revenue of the relevant 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 when directed by the donor.

Investment income in the respective funds consists of interest and dividend income received from investments along with realized and unrealized gains and losses on investments, that are recorded on the accrual basis. The Foundation also receives distributions from the Vancouver Foundation that are recorded as revenue when received or receivable.

(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.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2021

3. Investments:

At May 31, 2021, the investments in the Restricted and Endowment Fund, the Unrestricted Fund and the Future Fund were managed by Jarislowsky Fraser. At May 31, 2021, the Special Project Fund assets were held in cash in a bank account with Island Savings. The Jarislowsky Fraser managed funds were allocated as follows:

	2021	2020
Endowment, Restricted and Unrestricted:		
JF Global Balanced Fund	\$ 12,507,831	\$ 11,272,876
Cash and cash equivalents	1,200	415,419
Future Fund:		
JF Bond Funds	786,371	-
Cash and cash equivalents	1,500,066	-
	<u>\$ 14,795,468</u>	<u>\$ 11,688,295</u>

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 JF Global Balanced Fund is as follows:

	2021	2020
Cash and cash equivalents	2%	4%
Fixed income	32%	36%
Equities:		
Canadian	24%	21%
US	20%	19%
International	19%	18%
Emerging markets	3%	2%
	<u>100%</u>	<u>100%</u>

4. Fund balances:

(a) Endowment and Restricted Fund:

The Endowment and Restricted Fund reports both endowed externally restricted contributions and internally restricted contributions which have been restricted by the Board of Directors. They include 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 Society.

During the current year the fund has increased as private donor funding contributions of \$174,009 (2020 - \$680,588) 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 \$115,590 (2020 - \$434,288). The grant and the equivalent amount of donations matched remain restricted in the fund.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2021

4. Fund balances (continued):

(a) Endowment and Restricted Fund (continued):

The fund balance of \$11,132,801 (2020 - \$10,901,621) 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:

The Unrestricted Fund is available for expenditures fully at the discretion of the Directors in pursuit of the Foundation's purposes. The Fund reports general revenue and expenditures of the Foundation, investment income (or loss) and donations received for which there are no restrictions attached by the donor. It also includes the unmatched portion of donations, for which matching application was made to the Canada Cultural Investment Fund.

(c) Donor specific funds:

The John H. McEown Family Trust consists of donations totalling \$370,897 to May 31, 2021. Of this amount, \$318,311 is included in the Endowment and Restricted Funds, along with an equal amount of Canadian Heritage matching grants. The balance of the donations remained in the Unrestricted Fund.

The Sandra Lackenbauer Fund consists of donations totaling \$157,000 to May 31, 2021. Of this amount, \$103,127 is included in the Endowment and Restricted Funds, along with an equal amount of Canadian Heritage matching grants. The balance of the donations remained in the Unrestricted Fund.

The Dallas and Len Chapple Fund consists of donations totalling \$900,000 to May 31, 2021. Of this amount, \$301,993 is included in the Endowment and Restricted Funds, along with an equal amount of Canadian Heritage matching grants. The balance of the donations remained in the Unrestricted Fund. The donor directed that \$400,000, plus accrued income, 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. On June 1, 2020, the Foundation transferred the \$400,000 from the Dallas and Len Chapple Fund in the Unrestricted Fund to the Society.

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, 2021 was \$485,000 (2020 - \$439,000). 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, 2021

6. Interfund transfer:

The amount transferred from the Unrestricted Fund to the Endowment and Restricted Fund 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 transactions:

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, three of whom are representatives from the Society Board.

During the year ended May 31, 2021, the Foundation contributed to the Society a total of \$400,000 (2020 - \$630,000).

During the year ended May 31, 2021, the Society contributed \$1,500,000 to the Foundation (2020 - nil)

Development expenses of \$16,334 (2020 - \$34,266) are direct expenses incurred by the Society on the Foundation's behalf, plus a portion of the Society's development staff salaries.

On July 5, 2021, in a memorandum of understanding, among other things, the Foundation and the Society agreed on the terms of any Society's contributions to the Foundation. This collaboration includes a provision that the Society may request a contribution from the Foundation of amounts previously contributed by the Society to the Foundation in the event the Society incurs adverse financial results.

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.

(a) 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.

(b) 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.

FOUNDATION FOR THE VICTORIA SYMPHONY

Notes to Financial Statements

Year ended May 31, 2021

8. Financial instruments (continued):

(c) 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.

(d) 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.

There has been no change to the risk exposures outlined above from 2020 other than the pervasive impact of the ongoing COVID-19 pandemic which may lead to adverse changes in cash flows, assets, and liabilities, which may also have a direct impact on the Foundation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time.