

Financial Statements of

VICTORIA SYMPHONY SOCIETY

And Independent Auditors' Report thereon

Year ended May 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Victoria Symphony Society

Opinion

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

- the statement of financial position as at May 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets 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, 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.

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 Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with applicable financial reporting framework 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 long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Professional Accountants

Victoria, Canada

September 9, 2021

VICTORIA SYMPHONY SOCIETY

Statement of Financial Position

May 31, 2021, with comparative information for 2020

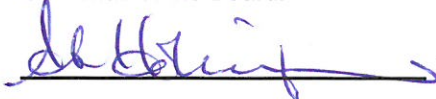
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 921,614	\$ 752,961
Accounts receivable	80,932	116,560
Prepaid expenses	9,508	6,399
Due from Foundation for the Victoria Symphony (note 11)	-	2,223
	<u>1,012,054</u>	<u>878,143</u>
Capital assets (note 4)	263,898	257,965
	<u>\$ 1,275,952</u>	<u>\$ 1,136,108</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 115,888	\$ 102,746
Deferred revenue (note 6)	216,301	769,870
	<u>332,189</u>	<u>872,616</u>
Deferred capital contributions	21,000	34,750
	<u>353,189</u>	<u>907,366</u>
Net assets	922,763	228,742
	<u>\$ 1,275,952</u>	<u>\$ 1,136,108</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

VICTORIA SYMPHONY SOCIETY

Statement of Operations

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

	2021	2020
Revenues:		
Earned	\$ 65,204	\$ 1,237,466
Donations and fundraising (notes 9, 11 and 13)	3,135,767	2,346,968
Government grants (note 15)	2,125,133	1,451,420
	<u>5,326,104</u>	<u>5,035,854</u>
Expenditures:		
Artistic	1,554,882	2,612,011
Production	483,183	518,951
Marketing	69,507	275,505
Box office	-	20,752
Development and fundraising	67,400	277,241
Administration (note 12)	957,111	1,081,571
Contribution to the Foundation for the Victoria Symphony (note 11)	1,500,000	-
	<u>4,632,083</u>	<u>4,786,031</u>
Excess of revenues over expenses	<u>\$ 694,021</u>	<u>\$ 249,823</u>

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	2021	2020
Balance, beginning of year	\$ 248,215	\$ (19,473)	\$ 228,742	\$ (21,081)
Excess of revenues over expenses	-	694,021	694,021	249,823
Amortization of capital assets	(23,113)	23,113	-	-
Amortization of deferred capital contributions	13,750	(13,750)	-	-
Capital asset purchases	29,045	(29,045)	-	-
Balance, end of year	\$ 267,897	\$ 654,866	\$ 922,763	\$ 228,742

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 694,021	\$ 249,823
Items not involving cash:		
Amortization of property, plant and equipment	23,113	18,188
Amortization of deferred capital contributions	(13,750)	(13,750)
Decrease (increase) in accounts receivable	35,628	(3,781)
(Increase) decrease in prepaid expenses	(3,109)	13,567
Increase (decrease) in accounts payable and accrued liabilities	13,141	(88,264)
Decrease in due from Foundation for the Victoria Symphony	2,223	8,289
(Decrease) increase in deferred revenue	(553,569)	74,944
	197,698	259,016
Financing:		
Increase in deferred capital contributions	-	25,000
Investing:		
Purchase of capital assets	(29,045)	(49,540)
Increase in cash and cash equivalents	168,653	234,476
Cash and cash equivalents, beginning of year	752,961	518,485
Cash and cash equivalents, end of year	\$ 921,614	\$ 752,961

See accompanying notes to financial statements.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements

Year ended May 31, 2021

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.

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 three months from the date of acquisition.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

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
Website	33%

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.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(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.

(h) Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

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, 2021, restricted grant cash held by the Society was \$44,706 (2020 - \$47,236).

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Music instruments and equipment	\$ 145,230	\$ 111,335	\$ 33,895	\$ 35,679
Music library	278,786	129,651	149,135	149,031
Office equipment	312,261	249,869	62,392	60,899
Vehicles	27,421	27,421	-	-
Furniture and fixtures	44,043	36,246	7,797	9,746
Leasehold improvements	24,362	22,013	2,349	2,610
Website	9,976	1,646	8,330	-
	<u>\$ 842,079</u>	<u>\$ 578,181</u>	<u>\$ 263,898</u>	<u>\$ 257,965</u>

During the year, \$23,113 (2020 - \$18,188) of amortization expense was recognized on capital assets

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$235 (2020 - \$nil), which are comprised of amounts payable for sales taxes.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

6. Deferred revenue:

	2021	2020
Opening balance	\$ 769,870	\$ 694,926
Amounts recognized as revenue in the year:		
Ticket sales	(152,142)	(599,658)
Grants and donations	(539,207)	(95,268)
	78,521	-
Amounts deferred to future years:		
Ticket sales	72,523	203,305
Grants and donations	65,257	566,565
Closing balance	\$ 216,301	\$ 769,870

Deferred ticket sales include \$123,686 of ticket returns, which will be deferred until they are used, refunded or recognized as a donation based on the direction of the ticketholder.

7. 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%. No amounts were outstanding on the credit facility at May 31, 2021 or May 31, 2020.

8. Lease obligation:

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

2022	\$ 95,500
2023	95,500
2024	63,667
	\$ 254,667

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

9. Revenue:

Included in donations and fundraising revenues are \$4,799 (2020 - \$51,882) of contributed services consisting of event support that would have otherwise been purchased by the Society in the normal course of business.

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, 2021 is \$nil (2020 - \$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 2020.

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 Societies Act (British Columbia) as a not-for-profit organization, is a registered charity under the Income Tax Act and, as such, is tax-exempt.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

11. Related party transactions (continued):

During the year ended May 31, 2021, the Society received contributions from the Foundation totaling \$400,000 (2020 - \$630,000). The Society contributed \$1,500,000 to the Foundation in accordance with the Society's bequest policy.

Administration expenses include recoveries of \$16,384 (2020 - \$34,266) 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, 2021, nil remains receivable from the Foundation (2020 - \$2,223).

12. Administration expenditures:

Administration expenditures include wages and benefits of the Administration, Development, Marketing and Box Office departments, totaling \$712,458 (2020 - \$800,524).

13. Victoria Foundation:

During the year, the Society recognized in donations and fundraising revenue \$348,989 (2020 - \$207,376), which includes pass-through grants as well as distributions from various endowment funds held at the Victoria Foundation.

14. 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, 2021, the Society paid remuneration of \$357,448 (2020 - \$596,741) to four employees (2020 - four employees and two contractors), each of whom received total annual remuneration of \$75,000 or greater.

VICTORIA SYMPHONY SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2021

15. Government grants:

	2021	2020
Canada Council for the Arts	\$ 443,750	\$ 403,750
Canada - Other	523,682	132,270
Canadian Heritage	-	45,000
City of Victoria	2,800	17,000
CRD Arts Development	396,601	398,400
BC Arts Council - Operating	310,000	317,000
BC Arts Council - Other	370,300	15,000
BC Government Community Gaming	70,000	100,000
Province of BC	8,000	23,000
	<u>\$ 2,125,133</u>	<u>\$ 1,451,420</u>

In response to the negative economic impact of COVID-19, the Government of Canada introduced various wage and rent subsidy programs. The benefit of these programs is reported above under the category, Canada - Other.

16. Impact of the COVID-19 Pandemic:

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID 19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is closely monitoring the situation and estimates that the pandemic will continue to impact revenues and expenses in the 2021/22 fiscal year. The overall effect of the pandemic on operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known.

Management believes that the Society has sufficient mitigation strategies to withstand the risks presented by the COVID-19 pandemic's impact on operations and sufficient resources to continue as a going concern.