

Foundation for The Victoria Symphony
Financial Statements
Year Ended May 31, 2022

Independent Auditor's Report

To the Members of Foundation for The Victoria Symphony

Report on the Financial Statements

Opinion

We have audited the financial statements of Foundation for the Victoria Symphony (the Foundation), which comprise the statement of financial position as at May 31, 2022, and the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with 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.

Other Matter

The financial statements for the year ended May 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 23, 2021.

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 ASNPO, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's 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 auditor's 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 these 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation 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.

We 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 of 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 year.

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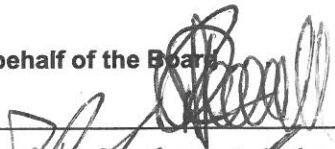
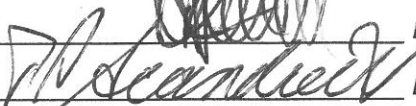
Victoria, British Columbia
July 28, 2022

Chartered Professional Accountants

Foundation for The Victoria Symphony
Statement of Financial Position
May 31, 2022

| | 2022 \$ | 2021 \$ |
|--|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash | 33,062 | 22,283 |
| Restricted Cash - Special Project Fund | - | 83,336 |
| | 33,062 | 105,619 |
| Investments | | |
| General portfolio (Note 3) | 11,617,059 | 12,509,031 |
| Future Fund portfolio (Note 3) | 2,148,597 | 2,286,437 |
| Total assets | 13,798,718 | 14,901,087 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | 4,926 | 4,926 |
| Due to Victoria Symphony Society | 431 | - |
| Total liabilities | 5,357 | 4,926 |
| Fund balances | | |
| Endowment Fund | 11,530,559 | 11,132,801 |
| Future Fund | | |
| Internally restricted | 2,148,597 | 2,286,437 |
| Special Project Fund | | |
| Externally restricted | - | 83,336 |
| Unrestricted Fund | 114,205 | 1,393,587 |
| | 13,793,361 | 14,896,161 |
| Total liabilities and fund balances | 13,798,718 | 14,901,087 |

On behalf of the Board


 _____ Director

 _____ Director

The accompanying notes are an integral part of these financial statements

Foundation for The Victoria Symphony
Statement of Changes in Fund Balances
Year Ended May 31, 2022

| | Endowment Fund \$ | Future Fund \$ | Special Project Fund \$ | Unrestricted Fund \$ | 2022 \$ | 2021 \$ |
|--|-------------------------|----------------------|-------------------------------|----------------------------|-------------------|-------------------|
| Fund balance - beginning of year | 11,132,801 | 2,286,437 | 83,336 | 1,393,587 | 14,896,161 | 11,715,443 |
| Excess (deficiency) of revenue over expenses | 198,879 | (367,840) | (20,268) | (913,571) | (1,102,800) | 3,180,718 |
| Interfund transfers (Note 5) | 198,879 | 230,000 | (63,068) | (365,811) | - | - |
| Fund balance - end of year | <u>11,530,559</u> | <u>2,148,597</u> | <u>-</u> | <u>114,205</u> | <u>13,793,361</u> | <u>14,896,161</u> |

The accompanying notes are an integral part of these financial statements

Foundation for The Victoria Symphony
Statement of Operations
Year Ended May 31, 2022

| | Endowment Fund \$ | Future Fund \$ | Special Project Fund \$ | Unrestricted Fund \$ | 2022 \$ | 2021 \$ |
|--|-------------------------|----------------------|-------------------------------|----------------------------|-------------|------------|
| Revenues | | | | | | |
| Donations and bequests | - | - | - | 270,642 | 270,642 | 344,110 |
| Contribution from Victoria Symphony Society (Note 6) | - | - | - | - | - | 1,500,000 |
| Canada Cultural Investment Fund grant | 198,879 | - | - | - | 198,879 | 115,590 |
| Investment income (loss) | - | (208,350) | - | (791,709) | (1,000,059) | 1,717,246 |
| Vancouver Foundation (Note 7) | - | - | - | 18,817 | 18,817 | 17,808 |
| | 198,879 | (208,350) | - | (502,250) | (511,721) | 3,694,754 |
| Expenses | | | | | | |
| Contribution to Victoria Symphony Society (Note 6) | - | 150,000 | - | 220,000 | 370,000 | 400,000 |
| Development (Note 6) | - | - | - | 7,526 | 7,526 | 16,334 |
| Investment management fees | - | 9,490 | - | 59,055 | 68,545 | 58,327 |
| Donation to GVPAC Theatre | - | - | - | - | - | - |
| Development Society | - | - | - | 107,401 | 107,401 | - |
| Scholarships and donations | - | - | - | 10,000 | 10,000 | 10,000 |
| Professional fees | - | - | 19,590 | 5,460 | 25,050 | 26,500 |
| Insurance | - | - | - | 1,450 | 1,450 | 1,450 |
| Office | - | - | 678 | 429 | 1,107 | 1,425 |
| | - | 159,490 | 20,268 | 411,321 | 591,079 | 514,036 |
| Excess (deficiency) of revenues over expenses | 198,879 | (367,840) | (20,268) | (913,571) | (1,102,800) | 3,180,718 |

The accompanying notes are an integral part of these financial statements

Foundation for The Victoria Symphony
Statement of Cash Flows
Year Ended May 31, 2022

| | 2022 \$ | 2021 \$ |
|---|-------------|-------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenses | (1,102,800) | 3,180,718 |
| Items not affecting cash: | | |
| Investment income (loss) net of management fees | 1,066,195 | (1,775,509) |
| Donations in kind | (23,849) | (33,255) |
| | (60,454) | 1,371,954 |
| Change in non-cash working capital: | | |
| Due to Victoria Symphony Society | 431 | (2,223) |
| Cash flow from (used by) operating activities | (60,023) | 1,369,731 |
| Investing activities | | |
| Proceeds from sale of donations in kind | 23,849 | 33,255 |
| Additions to investment portfolio | (636,382) | (1,815,000) |
| Withdrawals from investment portfolio | 683,335 | 400,000 |
| Cash flow from (used by) investing activities | 70,802 | (1,381,745) |
| Increase (decrease) in cash | 10,779 | (12,014) |
| Cash - beginning of year | 22,283 | 34,297 |
| Cash - end of year | 33,062 | 22,283 |

The accompanying notes are an integral part of these financial statements

Foundation for The Victoria Symphony
Notes to Financial Statements
Year Ended May 31, 2022

1. Purpose of the Foundation

Foundation for the Victoria Symphony (the "Foundation") is a not-for-profit organization under the Society Act (British Columbia) and has transitioned to the new Societies Act (British Columbia) that became effective November 28, 2016. The Foundation is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The objectives of 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 objectives; and to administer such funds by holding, investing and reinvesting them, ensuring, at all times, adherence to the donors' directions.

2. Significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting to recognize external restrictions applied to contributions from donors and grantors, and to recognize internal restrictions made by the Board of Directors of the Foundation.

The Unrestricted Fund reports revenues and expenditures of the Foundation including investment income (losses) and donations and grants received for which there are no restrictions imposed by the donor or grantor. Revenues and direct expenses attributable to the Future Fund and Special Project Fund are reported in those funds.

The Endowment Fund comprises matching grant amounts received from the Canadian Heritage Cultural Investment Fund - Endowment Incentives Program as administered by Canadian Heritage and the private donations received by the Foundation that give rise to qualification for the matching grants. The Endowment Fund is to be maintained in perpetuity in the Foundation's restricted assets in accordance with the grant agreement between the Foundation and the Minister of Canadian Heritage. All income earned on the Endowment Fund becomes the property of the Unrestricted Fund.

The Future Fund comprises amounts of otherwise Unrestricted Fund balances that have been set aside by internal restriction by the Foundation's Board of Directors. The Future Fund was established by motion of the Foundation Board of Directors in 2020 in collaboration with the Society Board of Directors with the objective of enhancing the Foundation's ability to provide additional financial support to the Society in the event of unexpected adverse financial results experienced by the Society in a year.

The Special Project Fund was established in August 2020 by a donor to fund a feasibility study regarding the development of a new performing arts facility for the Greater Victoria area. In 2021 this initiative was taken over by a newly established Society for that purpose, and in 2022 the balance in the Special Project Fund was disbursed to that new Society. The Foundation has closed the Special Project Fund as at May 31, 2022.

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Foundation for The Victoria Symphony
Notes to Financial Statements
Year Ended May 31, 2022

2. Significant accounting policies (*continued*)

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 Fund in the year received.

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.

Donations and bequests

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

Financial instruments policy

The Foundation's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities.

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, 2022

3. Investments

At May 31, 2022, the investments were managed by Jarislowsky Fraser and invested as follows:

| | 2022 \$ | 2021 \$ |
|---------------------------|-------------------|-------------------|
| General portfolio: | | |
| JF Global Balanced Fund | 11,616,130 | 12,507,831 |
| Cash and cash equivalents | 929 | 1,200 |
| | <u>11,617,059</u> | <u>12,509,031</u> |
| Future Fund portfolio: | | |
| JF Bond Fund | 971,985 | 786,371 |
| JF Global Balanced Fund | 1,173,727 | - |
| Cash and cash equivalents | 2,885 | 1,500,066 |
| | <u>2,148,597</u> | <u>2,286,437</u> |
| | <u>13,765,656</u> | <u>14,795,468</u> |

The General portfolio includes investments of \$11,530,559 for the Endowment Fund with the remaining \$86,500 belonging to the Unrestricted 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 JF Global Balanced Fund is as follows:

| | | |
|---------------------------|-------------|-------------|
| Cash and cash equivalents | 2% | 2% |
| Fixed income | 33% | 32% |
| Equities: | | |
| Canadian | 24% | 24% |
| US | 20% | 20% |
| International | 17% | 19% |
| Emerging markets | 4% | 3% |
| | <u>100%</u> | <u>100%</u> |

4. Donor specific funds

The John H. McEown Family Trust fund comprises donations totalling \$370,897 to May 31, 2022 (2021: \$370,897), of which \$318,311 is included in the Endowment Fund along with an equal amount of matching grants from the Canada Cultural Heritage Fund Endowment Incentives Program. The balance of the donations remained in the Unrestricted Fund.

The Sandra Lackenbauer fund comprises donations totalling \$157,000 to May 31, 2022 (2021: \$157,000) of which \$103,127 is included in the Endowment Fund along with an equal amount of matching grants from the Canada Cultural Heritage Fund Endowment Incentives Program. The balance of the donations remained in the Unrestricted Fund.

The Dallas and Len Chapple fund comprises donations totalling \$900,000 to May 31, 2022 (2021: \$900,000) of which \$301,993 is included in the Endowment Fund along with an equal amount of matching grants from the Canada Cultural Heritage Fund Endowment Incentives Program. The balance of the donations remained in the Unrestricted Fund. This donor directed that \$400,000 plus 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 \$400,000 from the Dallas and Len Chapple fund in the Unrestricted Fund to the Society.

Foundation for The Victoria Symphony
Notes to Financial Statements
Year Ended May 31, 2022

5. Interfund transfers

The following interfund transfers occurred in the current year:

| | Endowment Fund \$ | Future Fund \$ | Special Project Fund \$ | Unrestricted Fund \$ | 2022 \$ |
|--|-------------------------|----------------------|-------------------------------|----------------------------|------------|
| Regarding Heritage Canada | | | | | |
| Matching Grant | 198,879 | - | - | (198,879) | - |
| Transfer into Future Fund | - | 230,000 | - | (230,000) | - |
| Transfer donation into Special Project Fund | - | - | 44,333 | (44,333) | - |
| Transfer to close out Special Project Fund | - | - | (107,401) | 107,401 | - |
| | 198,879 | 230,000 | (63,068) | (365,811) | - |

The amount transferred from the Unrestricted Fund to the Endowment Fund represents donations and bequests matched during the year by grants from the Canada Cultural Investment Fund. 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.

6. Support for The Victoria Symphony Society

As described in Note 1, one of the Foundation's objectives is to promote and support Victoria Symphony Society (the "Society"). The bylaws of the Foundation provide that its Board comprises not less than seven members of which three are appointed by the Society, and these three appointees must include the President of the Society and the Treasurer of the Society.

During the year the Foundation provided contributions to the Society in the amount of \$370,000 (2021: \$400,000) to support the annual operations of the Society.

Contributions by the Foundation in support of the Society are at the discretion of the Foundation Board in accordance with the following:

1. The Foundation has adopted a policy to make regular annual contributions to support the operations of the Society up to an annual limit in any year determined as the average of the total investments held by the Foundation as at September 30th and December 31st of the prior year multiplied by a preset percentage. The preset percentage for the 2022 year was 4.75% (2021: 5.0%). The actual amount of any regular annual contribution to the Society up to the prescribed maximum is determined by the Foundation Board each year based on an assessment of the current financial results of the Society and the current financial capacity of the Foundation.
2. The Foundation Board will consider additional contributions to the Society in any year in the event of unusual or unexpected adverse financial conditions experienced by the Society in a year. The actual amount of any such additional contribution to the Society would be determined by the Foundation Board based on an assessment of the current financial results of the Society and the current financial capacity of the Foundation.
3. The Society may from time to time make contributions out of operating surpluses arising within the Society. Under the terms of a Memorandum of Understanding between the Foundation and the Society dated July 5, 2021, the parties recognized that, in the event the Society experiences unexpected adverse financial conditions, the Society may request a return of some or all of contributions previously made by the Society to the Foundation.

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Foundation for The Victoria Symphony
Notes to Financial Statements
Year Ended May 31, 2022

6. Support for The Victoria Symphony Society (continued)

During the year contributions by the Society to the Foundation were \$nil (2021: \$1,500,000).

In July 2021, the Society adopted a policy to donate to the Foundation unrestricted bequests received by the Society. In the current year the Society donated \$116,135 (2021: \$nil) of such bequests to the Foundation. These amounts are included in Donations and Bequests revenue by the Foundation.

Development expenses of \$7,526 (2021: \$16,334) arose from direct expenses incurred by the Society on behalf of the Foundation for which the Foundation has re-imbursed the Society. The Foundation was not charged for Society staff time consumed by their administration of Foundation affairs.

7. 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, 2022 was \$491,803 (2021: \$485,000). 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.

8. Financial instruments

The Foundation is exposed to various risks through its financial instruments and 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. The following analysis provides information about the Foundation's risk exposure and concentration as of May 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency rate risk and interest rate risk.

Currency risk

Currency risk is the risk to the Foundation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

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Foundation for The Victoria Symphony
Notes to Financial Statements
Year Ended May 31, 2022

8. Financial Instruments (*continued*)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk primarily through its investments in fixed income securities because the fair value will fluctuate due to changes in market interest rates.

There has been no change to the risk exposures outlined above from 2021 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.