

**VICTORIA CONSERVATORY OF MUSIC**

**Financial Statements**

**Year ended August 31, 2019**

**VICTORIA CONSERVATORY OF MUSIC**  
**Index to Financial Statements**  
**Year Ended August 31, 2019**

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# Independent Auditors' Report

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To the Members of Victoria Conservatory of Music

## Opinion

We have audited the financial statements of Victoria Conservatory of Music (the "Conservatory"), which comprise the statement of financial position as at August 31, 2019, and the statements of revenues and expenditures, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Victoria Conservatory of Music as at August 31, 2019, 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.

## 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 Conservatory 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 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.

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

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

## 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 Conservatory'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 Conservatory'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 Conservatory 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 (British Columbia), we report that, in our opinion, the accounting principles in the Canadian Accounting Standards for Not-for-Profit Organizations have been applied on a consistent basis.

Victoria, Canada  
November 27, 2019



Chartered Professional Accountants

# Victoria Conservatory of Music

Statements of Financial Position  
August 31, 2019 and August 31, 2018

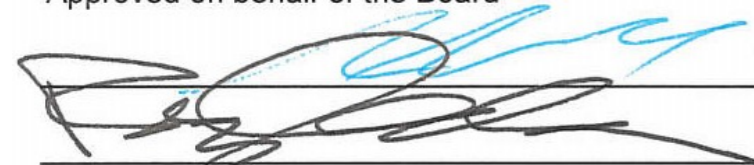

	Operating Fund	Internal Fund (note 15)	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2019 Total	August 31 2018 Total
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash and Cash Equivalents	\$ 102,037	\$ -	\$ -	\$ 33,714	\$ 82,000	\$ 217,751	\$ 93,671
Accounts Receivable (note 3)	141,325	-	-	-	-	141,325	129,844
Prepaid Expenses	64,827	-	-	-	-	64,827	62,293
Inventory	6,028	-	-	-	-	6,028	6,667
Due From (To) Other Funds (note 4)	(333,438)	96,136	308,778	(80,192)	8,717	-	-
	\$ (19,221)	\$ 96,136	\$ 308,778	\$ (46,478)	\$ 90,717	\$ 429,931	\$ 292,476
<b>NON-CURRENT</b>							
Interest in Trusts (note 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,850
Long Term Investments (note 6)	-	-	-	1,215,611	118,000	1,333,611	1,507,935
Tangible Capital Assets (note 7)	-	-	3,295,215	-	-	3,295,215	3,510,941
Due From (To) Other Funds (note 4)	89,000	-	(89,000)	-	-	-	-
	\$ 69,779	\$ 96,136	\$ 3,514,993	\$ 1,169,133	\$ 208,717	\$ 5,058,758	\$ 5,385,201
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Accounts Payable and Accrued Liabilities	\$ 342,027	\$ -	\$ -	\$ -	\$ -	\$ 342,027	\$ 312,450
Customer and Student Deposits Held	114,513	-	-	-	-	114,513	90,811
Deferred Revenue (note 8)	742,777	-	-	-	-	742,777	749,324
Debt (note 9)	-	-	410,000	-	-	410,000	30,000
	\$ 1,199,317	\$ -	\$ 410,000	\$ -	\$ -	\$ 1,609,317	\$ 1,182,585
<b>NON-CURRENT</b>							
Debt (note 9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,000
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,000
<b>FUND BALANCES</b>							
Unrestricted	\$ (1,129,538)	\$ -	\$ -	\$ -	\$ -	\$ (1,129,538)	\$ (1,132,822)
Internally Restricted	-	96,136	-	-	-	96,136	157,316
Invested in Capital Assets	-	-	3,104,993	-	-	3,104,993	3,142,793
Externally Restricted	-	-	-	1,169,133	208,717	1,377,850	1,625,329
	\$ (1,129,538)	\$ 96,136	\$ 3,104,993	\$ 1,169,133	\$ 208,717	\$ 3,449,441	\$ 3,792,617
	\$ 69,779	\$ 96,136	\$ 3,514,993	\$ 1,169,133	\$ 208,717	\$ 5,058,758	\$ 5,385,201

## FUNDS HELD IN TRUST (note 10)

## COMMITMENTS (note 11)

See accompanying notes to financial statements

Approved on behalf of the Board

 Director  
 Director

# Victoria Conservatory of Music

Statements of Operations and Changes in Fund Balances  
Years Ended August 31, 2019 and August 31, 2018

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2019 Total	August 31 2018 Total
<b>REVENUE</b>							
Tuitions (note 12)	\$ 3,215,127	\$ -	\$ -	\$ -	\$ -	\$ 3,215,127	\$ 3,233,458
Fees & Other Income	64,139	-	-	-	-	64,139	59,631
Investment Income (note 6)	-	-	-	95,247	300	95,547	95,997
Facilities & Events Income	293,797	-	-	-	-	293,797	295,817
<b>Total Earned Revenue</b>	<b>\$ 3,573,063</b>	<b>-</b>	<b>-</b>	<b>95,247</b>	<b>300</b>	<b>\$ 3,668,610</b>	<b>\$ 3,684,904</b>
Fundraising Income (note 13)	1,396,336	1	210,211	577,673	100,469	\$ 2,284,690	\$ 1,485,250
Gain (Loss) on Sale of Assets	-	-	(2,625)	-	-	(2,625)	-
Unrealized Gain (Loss) on Investments (note 6)	-	-	-	(44,352)	-	(44,352)	36,880
	<b>\$ 4,969,399</b>	<b>\$ 1</b>	<b>\$ 207,586</b>	<b>\$ 628,568</b>	<b>\$ 100,769</b>	<b>\$ 5,906,323</b>	<b>\$ 5,207,034</b>
<b>EXPENSES</b>							
Wages & Benefits	\$ 4,217,554	\$ -	\$ -	\$ -	\$ -	\$ 4,217,554	\$ 4,288,662
Program Costs	62,593	-	-	-	11,534	74,127	73,569
Administration Expenses	109,275	-	16,745	17,354	-	143,374	145,321
Marketing	47,649	-	-	-	-	47,649	54,692
Fundraising	66,359	-	-	-	-	66,359	72,781
Events	106,905	-	-	-	-	106,905	113,496
Facilities	315,065	-	-	-	-	315,065	336,742
Scholarships & Bursaries	-	-	-	104,832	82,445	187,277	171,346
Amortization	-	-	375,880	-	-	375,880	347,421
	<b>\$ 4,925,400</b>	<b>\$ -</b>	<b>\$ 392,625</b>	<b>\$ 122,186</b>	<b>\$ 93,979</b>	<b>\$ 5,534,190</b>	<b>\$ 5,604,030</b>
Excess (Deficiency) of Revenues over Expenses	\$ 43,999	1	(185,039)	506,382	6,790	\$ 372,133	\$ (396,996)
Transfers to Third Party Endowment Funds (Note 10)	\$ -	-	-	(715,310)	-	\$ (715,310)	\$ (380,138)
Transfers (note 14)	(40,715)	(61,181)	147,239	(39,588)	(5,754)	-	-
<b>Net Change For The Year</b>	<b>\$ 3,284</b>	<b>(61,180)</b>	<b>(37,800)</b>	<b>(248,516)</b>	<b>1,036</b>	<b>\$ (343,176)</b>	<b>\$ (777,134)</b>
Fund Balances, Beginning of Period	\$ (1,132,822)	157,316	3,142,793	1,417,649	207,681	\$ 3,792,617	\$ 4,569,750
<b>Fund Balances, End of Period</b>	<b>\$ (1,129,538)</b>	<b>\$ 96,136</b>	<b>\$ 3,104,993</b>	<b>\$ 1,169,133</b>	<b>\$ 208,717</b>	<b>\$ 3,449,441</b>	<b>\$ 3,792,617</b>

See accompanying notes to financial statements

## Victoria Conservatory of Music

Statements of Cash Flow

Years Ended August 31, 2019 and August 31, 2018

	August 31 2019	August 31 2018
Cash (Used in) Provided by :		
<b>OPERATING ACTIVITIES</b>		
(Deficiency) Excess of Revenues over Expenses	\$ 372,133	\$ (396,996)
Items not involving cash:	-	
Amortization of Tangible Capital Assets	375,880	347,421
Donations of Tangible Capital Assets	(24,886)	(12,225)
Donation of Long Term Investments	(155,704)	(93,639)
Gain on Sale of Assets	2,625	-
Realized Gain on Investments	(61,989)	(59,367)
Unrealized (Gain) Loss on Investments	44,352	(36,880)
Changes in Non-Cash Working Capital:	-	
Accounts Receivable	(11,481)	116,712
Prepaid Expenses	(2,534)	(1,271)
Inventory	639	2,970
Accounts Payable and Accrued Liabilities	29,579	24,125
Customer and Student Deposits Held	23,702	(5,665)
Deferred Revenue	(6,547)	50,018
<b>Cash Flow from Operating Activities</b>	<b>585,769</b>	<b>(64,797)</b>
<b>INVESTING ACTIVITIES</b>		
Payout of Interest in Trusts	73,850	-
Purchase Of Capital Assets	(222,579)	(215,902)
Sale Of Capital Assets	84,686	-
Purchase Of Long Term Investments	(708,389)	(449,976)
Sale Of Long Term Investments	1,046,053	890,062
Reclassification of Long Term Investments to Cash	10,000	-
Transfers to Third Party Endowment Funds	(715,310)	(380,138)
<b>Cash Flow Used By Investing Activities</b>	<b>(431,689)</b>	<b>(155,955)</b>
<b>FINANCING ACTIVITIES</b>		
New Mortgage Borrowing	-	450,000
Repayment Of Debt	(30,000)	(335,072)
<b>Cash Flow from (Used by) Financing Activities</b>	<b>(30,000)</b>	<b>114,928</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>124,080</b>	<b>(105,824)</b>
Cash and Cash Equivalents - Beginning of Year	93,671	199,495
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 217,751</b>	<b>\$ 93,671</b>
<b>REPRESENTED BY:</b>		
Cash	(96,275)	(95,547)
Restricted Gaming Funds	191,786	71,608
Investment Account(s)	115,714	105,061
Funds on Hand / In Transit from Third Parties	6,526	12,549
	<b>\$ 217,751</b>	<b>\$ 93,671</b>
<b>Supplemental Cash Flow Information</b>		
Interest Paid During Year	<b>\$ 16,745</b>	<b>\$ 4,358</b>

See accompanying notes to financial statements

## Victoria Conservatory of Music

Notes to Financial Statements  
August 31, 2019 and August 31, 2018

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### 1 PURPOSE OF ORGANIZATION

The Victoria Conservatory of Music (VCM) is incorporated under the British Columbia Societies Act as a not for profit organization, and is a registered charity under the Income Tax Act. Its mission is to enrich lives through music in a thriving community accessible to all.

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### 2 SIGNIFICANT ACCOUNTING POLICIES

VCM follows Canadian Accounting Standards for Not-For-Profit organizations in Part III of the CPA Canada Handbook. Canadian Accounting Standards for Not-For-Profit organizations are part of Canadian Generally Accepted Accounting Principles.

#### (A) Fund Accounting

In order to ensure Board and external restrictions placed on the use of resources available to VCM are properly accounted for, resources are classified for account and reporting purposes into the following funds:

- (i) The **Operating Fund** reports the current operations and programs as well as the organization's general operations. Unrestricted contributions (donations and grants) for the purpose of operating the organization are reported in this fund.
- (ii) The **Internal Fund** reports internally restricted resources arising for the Building and Working Capital Funds. The Building Fund is available for non-budgeted building maintenance projects. The Working Capital Fund is available for non-budgeted expenditures or internally restricted uses.
- (iii) The **Capital Asset Fund** reports the assets, liabilities, revenues and expenses related to capital assets.
- (iv) The **Endowment Fund** reports resources contributed for endowment. This Fund is made up of various sub-funds, including Scholarship, Bursary, and Music Therapy sub-funds. Investment income and expenses are allocated to the sub-funds on a pro rata basis.
- (v) The **Restricted Fund** reports resources contributed for specific purposes which are restricted by the donor.

#### (B) Revenue Recognition

VCM follows the restricted fund method of accounting.

- (i) Tuition fee revenue is recognized over the period of instruction. Tuition fees received in advance are deferred until the instruction period commences.
- (ii) Restricted contributions related to general operations are recognized as revenue of the Operating Fund. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable and/or in the year in which the related expenses are incurred if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (iii) Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable.
- (iv) Contributions for endowment and investment income thereon are recognized as revenue in the Endowment Fund.
- (v) Gifts in kind are recorded at their estimated fair market value on the date of receipt.
- (vi) The VCM would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours and valuing these services, contributed services are not recognized in the financial statements.

#### (C) Cash & Cash Equivalents

Cash and Cash Equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value with a short maturity of three months or less from the date of acquisition. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. If investments such as GICs held at year-end have a maturity date within 3 months of year-end, they are classified as Cash & Cash Equivalents.

#### (D) Financial Instruments

The financial instruments of the VCM consists of accounts receivable, investments, accounts payable and accrued liabilities, deferred revenue, and debt. The VCM initially records accounts receivable and investments at fair value. In subsequent periods, investments in actively traded markets are reported at fair value, with unrealized gains and losses reported in income. Accounts payable and accrued liabilities, debt, and deferred revenues are measured at amortized cost.

Unrealized losses of \$44,352 (2018 - gains of \$36,880) have been recognized as changes in the Endowment Fund balance in the current year.



## Victoria Conservatory of Music

Notes to Financial Statements  
August 31, 2019 and August 31, 2018

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (D) Financial Instruments (continued)

The VCM is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate, and manage these risks. The following analysis provides information about the VCM's risk exposure and concentration as of August 31, 2019:

- (i) Credit risk arises from the potential that a third party will fail to perform its obligations. The VCM is exposed to credit risk from customers; however, credit risk is minimized as payments for tuitions are due in part or in full at the time of registration. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. The VCM has a significant number of customers which also minimizes concentration of credit risk.
- (ii) Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The VCM is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, current debt, and accounts payable.
- (iii) 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 VCM is mainly exposed to interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at August 31, 2019, portfolio investments of \$224,391 are denominated in US dollars and converted into Canadian dollars. There was no significant change in exposure from the prior year.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the VCM manages exposure through its normal operating and financing activities. The VCM is exposed to interest rate risk primarily through its investment in bonds, floating interest rate bank indebtedness, and credit facilities.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The VCM is exposed to other price risk through its investment in quoted shares.

All secured financial liabilities have a combined carrying amount as follows:

	August 31 2019	August 31 2018
Current Debt	\$ 410,000	\$ 30,000
Non-Current Debt	-	410,000
Bank Indebtedness (Overdraft)	147,126	82,338
	<u>\$ 557,126</u>	<u>\$ 522,338</u>

#### (E) Tangible Capital Assets

Tangible Capital Assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land		Non-amortizable
Building	40 years	Straight-line method
Leasehold Improvements	Lease Period	Straight-line method
Computer equipment and software	4 years	Straight-line method
Furniture and fixtures	4 years	Straight-line method
Library assets	4 years	Straight-line method
Musical instruments	10 years	Straight-line method

Tangible Capital Assets acquired during the year but not put into use are not amortized until they become available for use.

#### (F) Use of Estimates

The preparation of financial statements in conformity with the Canadian Accounting Standards for Not-For-Profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of tangible capital assets, valuation of accounts receivable, and accrual of liabilities. Actual results could differ from these estimates.

## Victoria Conservatory of Music

Notes to Financial Statements  
August 31, 2019 and August 31, 2018

### 3 ACCOUNTS RECEIVABLE

	August 31 2019	August 31 2018
Student Tuitions	\$ 121,592	\$ 113,818
Events, Grants, Sponsorships, & Administrative	24,980	12,654
Federal GST Rebate	3,322	4,453
Credit Card Processor	1,431	3,919
Allowance for Doubtful Accounts	(10,000)	(5,000)
	<u>\$ 141,325</u>	<u>\$ 129,844</u>

### 4 DUE FROM (TO) OTHER FUNDS

All disbursements are made from the Operating Fund regardless of the Fund to which the disbursements are attributed. Due to the timing of some transfers between funds, there remain balances owing between the funds. These balances are reflected in the Statements of Financial Position as Due From or Due To Other Funds. It is the policy of the VCM to repay these inter-fund balances annually, with the exception of a prior bulk mortgage payment.

In order to reduce mortgage interest, the Operating Fund transferred \$200,000 to the Capital Fund to make a bulk payment on the Debt in July 2012. There was new borrowing in March 2018 and \$75,000 was paid back to the Operating Fund for cash flow purposes. In 2019, a large capital asset (a cello) was sold and a portion of the proceeds was used by the Capital Fund to pay back the Operating Fund for cash flow purposes. The remaining inter-fund balance will be eliminated through transfers should funds become available or will be reborrowed and settled.

### 5 INTEREST IN TRUSTS

In December 2017, VCM was established as a 4.17% beneficiary of a testamentary trust. A distribution of \$29,471 was received in April 2019 and is included in Fundraising Income. VCM's remaining estimated interest of \$1,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

In April 2018, VCM was established as a 11.11% beneficiary of a testamentary trust. VCM's estimated interest of \$265,000 will be recorded as an asset upon receipt and is expected within the next two fiscal years.

In April 2018, VCM was established as a 20% beneficiary of a testamentary trust. VCM's estimated interest of \$20,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

In January 2019, VCM was established as both a defined and a 50% beneficiary of a testamentary trust. VCM's estimated interest of \$300,000 will be recorded as an asset upon receipt and is expected over the next two fiscal years.

In August 2019, VCM was established as a 35% beneficiary of a testamentary trust. VCM's interest will be recorded as an asset upon receipt and is expected over the next two fiscal years. No Statement of Assets and Liabilities has been received yet in order to estimate a residual value.

### 6 LONG-TERM INVESTMENTS

	August 31 2019	August 31 2018
Operating Fund	\$ -	\$ -
Internal Funds	-	-
Endowment Funds	1,215,611	1,382,111
Restricted Funds	118,000	125,824
Total at Fair Market Value	<u>\$ 1,333,611</u>	<u>\$ 1,507,935</u>

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2019 Total	
Fixed Income	\$ -	\$ -	\$ 425,722	\$ 118,000	\$ 543,722	41%
Equity - Canadian	-	-	\$ 496,382	-	496,382	37%
Equity - Foreign	-	-	\$ 293,507	-	293,507	22%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,215,611</u>	<u>\$ 118,000</u>	<u>\$ 1,333,611</u>	<u>100%</u>

Investments quoted in an active market are measured at fair value. Investment income includes interest and dividends earned and realized gains and losses. Transaction costs incurred are expensed as incurred in the respective fund.

## Victoria Conservatory of Music

Notes to Financial Statements  
August 31, 2019 and August 31, 2018

### 7 TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	August 31 2019 Net Book Value	August 31 2018 Net Book Value
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319
Building	5,622,524	(3,623,451)	1,999,073	2,082,366
Leasehold Improvements - Westhills location	368,687	(257,834)	110,853	184,590
Computer equipment and software	282,618	(214,210)	68,408	79,823
Furniture and fixtures	450,597	(312,098)	138,499	60,205
Library assets	64,963	(59,961)	5,002	12,218
Musical instruments	1,401,870	(1,078,809)	323,061	441,419
	<u>\$ 8,841,578</u>	<u>\$ (5,546,363)</u>	<u>\$ 3,295,215</u>	<u>\$ 3,510,941</u>

### 8 DEFERRED REVENUE

Deferred revenue represents specific purpose grants and tuition relating to future periods as follows:

	August 31 2019	August 31 2018
BC Arts Council	\$ 151,040	\$ 131,830
BC Gaming	71,500	71,500
Camosun Base Funding	187,500	187,500
Capital Region District	55,000	55,000
Lease Inducement	17,720	30,229
Children's Health Foundation of Vancouver Island	20,000	20,000
NRS Foundation	17,500	17,500
Student Tuitions	208,301	208,830
Postsecondary Teaching Certificate Tuitions	-	2,152
Various	14,216	24,783
	<u>\$ 742,777</u>	<u>\$ 749,324</u>

### 9 DEBT

The VCM has a \$500,000 overdraft facility with the Bank of Montreal of which \$147,126 was used as at August 31, 2019 (August 31, 2018 - \$82,338). The overdraft, if accessed, is due on demand and bears interest at the bank prime lending rate plus 0.5% percent.

The VCM has a \$450,000 mortgage credit limit, upon which the following mortgage has been drawn:

The VCM has a \$450,000 mortgage of which \$410,000 is owing on August 31, 2019 (August 31, 2018: \$440,000). The mortgage bears interest at 3.45% per annum, repayable in monthly blended payments. The loan is due on April 23, 2020, but amortized to June 30, 2033. Management expects to renew this mortgage upon maturity on April 23, 2020.

Principal repayment terms are approximately:

2019-2020	\$ 30,000
2020-2021	380,000
	<u>410,000</u>

The overdraft, mortgages, plus credit card limits of \$20,000 are secured by a demand collateral land mortgage and assignment of rents in the amounts of \$970,000 providing a first fixed and specific mortgage charge over land and premises, and a certificate of all risk insurance showing the bank as first loss payee.

## Victoria Conservatory of Music

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### 10 HELD IN TRUST

Distributions and trust fund balances held at third party foundations are as follows:

	Share of Fund	August 31, 2019		August 31, 2018	
		Fund Balance Designated to VCM	Endowment Distributions Received	Fund Balance Designated to VCM	Endowment Distributions Received
Victoria Foundation					
Victoria Conservatory of Music Fund	100%	\$ 3,355,749	\$ 102,294	\$ 3,259,302	\$ 91,808
Eric Charman Young Musicians Bursary Fund	100%	1,004,563	5,440	308,628	-
Van Hall Fund for the Arts	100%	764,765	30,000	789,269	30,000
Goolden Fund	100%	388,904	14,613	395,674	14,182
Frederick William Kischell Bursary Fund	100%	153,287	5,947	155,940	5,790
Richard Margison Fund for Opera Studio	100%	63,239	2,371	64,244	2,300
Sisters of Saint Ann Young Musicians Fund	100%	24,873	1,005	-	-
Joan C. McCarter Foundation	Partial	3,279,872	26,735	3,176,508	2,294
Aline and Norman Fowlow Fund	Partial	197,587	7,145	199,474	6,921
Thomas Mayne Fund	Partial	99,933	4,053	101,900	-
Elizabeth McPherson Fund for the Arts	Partial	41,264	1,492	41,943	1,441
Norval Schroeder Fund	Partial	34,898	1,357	35,526	1,322
Bayberry Fund	Partial	25,169	578	20,347	420
Sandra and David Goodwin Fund	Partial	25,496	1,033	19,484	-
Randy Diamond & Dree Thomson-Diamond Fund	Partial	5,124	150	5,072	132
		9,464,724	204,212	8,573,311	156,610
Vancouver Foundation (FMV as at June 30th)					
Victoria Conservatory of Music Endowment Fund	100%	264,701	10,007	262,671	9,567
		\$ 9,729,424	\$ 214,219	\$ 8,835,982	\$ 166,177

The Victoria Foundation and the Vancouver Foundation have established permanent Endowment Funds from which income is paid regularly to the VCM to be used in part for awarding scholarships and bursaries and in part for supporting operations.

### 11 COMMITMENTS

The VCM has entered into various operating leases for office equipment, of which the annual payments individually and in total are immaterial.

The VCM entered into an agreement to purchase the rights to offer certain programs that have been added to the new School of Contemporary Music and its concert series. This agreement was for five years, ended August 31, 2019 and required the VCM to share extra portions of tuition revenue and pay various fees for concerts. There is no risk to the VCM, as the agreement is structured to be based on enrolments and attendance. At the termination of the contract, the VCM can continue to offer the programs and concerts without sharing revenues.

The VCM entered into a five year lease agreement for 3,000 sq feet of space in the YM/YWCA building in Langford. Annual rent began in February 2016 after building completion and the lease terminates at the end of January 2021. Lease payments, operating costs, and tax are approximately:

	Base Rent	Operating Costs	Total Payments
2019-2020	70,201	18,414	\$ 88,615
2020-2021	29,530	18,414	\$ 47,944
	\$ 99,731	\$ 36,828	\$ 136,559

## Victoria Conservatory of Music

Notes to Financial Statements

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### 12 TUITIONS REVENUE

Tuitions Revenue represents tuition fees from several different programming areas as follows:

	August 31 2019	August 31 2018
Collegium Program	\$ 93,535	\$ 115,871
Community Programs	2,079,328	2,055,360
Music Therapy & Wellness Programs	519,651	504,185
Postsecondary Programs - Camosun	512,533	547,874
Postsecondary Programs -Teaching Certificate	10,079	10,169
	<b>\$ 3,215,127</b>	<b>\$ 3,233,458</b>

The Collegium Program provides an enriched curriculum to talented, motivated, teenage classical musicians. Admission is by audition and the program consists of masterclasses, coachings, seminars, and performances.

Community Programs are those directed to anyone interested in experiencing and learning music. Community programs include early childhood music programs through to adult classes on a variety of instruments and in a variety of genres. Programs occur in group as well as private lesson settings.

Music Therapy & Wellness Programs meet the needs of all ages from children through to the elderly with exceptionalities, conditions, or illnesses. Sessions may take place at the VCM or in various organizations in the community.

The Postsecondary Programs consist firstly of the Camosun music certification and diploma programs delivered in partnership with Camosun College. Secondly, the Teaching Certificate Program is VCM's own unique one or two-year program resulting in a Certificate of and/or Advanced Certificate of Music Teaching designed to help aspiring and practicing music teachers to develop the professional skills necessary to teach.

### 13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 39% (2018 - 29%) of total revenues. All other revenues are considered earned income and represent 61% (2018 - 71%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2019	August 31 2018
Individual Donors	\$ 535,445	\$ 1	\$ 86,941	\$ 427,768	\$ 31,422	\$ 1,081,577	\$ 379,635
Fundraising Events	86,790	-	-	-	-	86,790	81,774
Foundations/Grants	232,786	-	123,270	90,314	33,100	479,470	444,619
Endowment Distributions	120,681	-	-	57,591	35,947	214,219	166,177
Corporate Donors & Sponsors	123,844	-	-	2,000	-	125,844	153,728
Government Grants							
Provincial - BC Arts Council - Operating Grants	124,400	-	-	-	-	124,400	97,000
Provincial - BC Arts Council - Project Grants	24,989	-	-	-	-	24,989	25,670
Provincial - BC Gaming	71,500	-	-	-	-	71,500	59,300
Federal	3,900	-	-	-	-	3,900	3,500
Municipal - CRD	55,000	-	-	-	-	55,000	55,000
Municipal - City of Victoria	11,500	-	-	-	-	11,500	8,000
Municipal - City of Langford	-	-	-	-	-	-	1,000
Donations-in-kind	-	-	-	-	-	-	(153)
50th Anniversary Campaign	5,500	-	-	-	-	5,500	10,000
	<b>\$ 1,396,336</b>	<b>\$ 1</b>	<b>\$ 210,211</b>	<b>\$ 577,673</b>	<b>\$ 100,469</b>	<b>\$ 2,284,690</b>	<b>\$ 1,485,250</b>

## Victoria Conservatory of Music

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### 14 TRANSFERS

	August 31, 2019				
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (46,745)	\$ -	\$ 46,745	\$ -	\$ -
Donor Directed Funding	18,270	(61,181)	42,911	-	-
Capital Asset Purchases	(53,318)	-	57,583	-	4,264
Endowment Fund Administration Fees	39,588	-	-	(39,588)	-
Other Transfers	1,490	-	-	-	1,490
	<u>\$ (40,715)</u>	<u>\$ (61,181)</u>	<u>\$ 147,239</u>	<u>\$ (39,588)</u>	<u>\$ 5,754</u>

	August 31, 2018				
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (41,362)	\$ -	\$ 41,362	\$ -	\$ -
Capital Asset Purchases	(23,673)	(18,465)	43,581	(1,443)	-
Program/Department Specific Funding	31,864	(31,864)	-	-	-
Move Bursary Fund	-	-	-	25,000	(25,000)
Endowment Funded Outreach	11,670	-	-	(11,670)	-
Other Transfers	7,318	-	(4,535)	(660)	(2,123)
	<u>\$ (14,183)</u>	<u>\$ (50,329)</u>	<u>\$ 80,408</u>	<u>\$ 11,227</u>	<u>\$ (27,123)</u>

### 15 INTERNAL FUND

	August 31 2019	August 31 2018
Working Capital	\$ 96,136	\$ 126,136
Building	-	31,180
	<u>\$ 96,136</u>	<u>\$ 157,316</u>

The two internal funds were drawn down in 2018-2019 to use 50th funds to cover Westhills start-up costs and capital costs and new Library shelving, to fund capital expenditures on Roofing and a Bathroom renovation, and to fund Music Outreach programs in Elementary Schools.

The August 31, 2019 balance of the Working Capital fund includes remaining 50th campaign funds held to cover Westhills start-up costs, as well as Music Wellness and Music Outreach funds held to run these programs in the next academic year.

The Building fund includes 50th Campaign funds transferred to Internal Building fund for future capital projects.

### 16 REMUNERATION DISCLOSURE

On November 28, 2016 the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees, and all contractors who are paid at least \$75,000 annually.

During the year, VCM did not pay any remuneration to directors.

During the year, VCM paid \$1,143,230 in remuneration to the ten top remunerated persons who are employees or contractors, whose remuneration, during the applicable period, was at least \$75,000.

### 17 SUBSEQUENT EVENT

Subsequent to year end, the VCM transferred \$200,000 from the Endowment Fund to be held in trust with the Victoria Foundation on September 27, 2019.