

**VICTORIA CONSERVATORY OF MUSIC**

**Financial Statements**

**Year ended August 31, 2020**

**VICTORIA CONSERVATORY OF MUSIC**  
**Index to Financial Statements**  
**Year Ended August 31, 2020**

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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, 2020, 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, 2020, 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 25, 2020



Chartered Professional Accountants

# Victoria Conservatory of Music

Statements of Financial Position  
August 31, 2020 and August 31, 2019

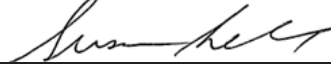
	Operating Fund	Internal Fund (note 15)	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2020 Total	August 31 2019 Total
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash and Cash Equivalents	\$ 306,623	\$ 1	\$ -	\$ 22,605	\$ 84,000	\$ 413,228	\$ 217,751
Accounts Receivable (note 3)	165,759	-	-	-	-	165,759	141,325
Prepaid Expenses	61,006	-	-	-	-	61,006	64,827
Inventory	5,585	-	-	-	-	5,585	6,028
Due From (To) Other Funds (note 4)	(48,348)	3,343	39,842	6,612	(1,450)	-	-
	\$ 490,625	\$ 3,344	\$ 39,842	\$ 29,217	\$ 82,550	\$ 645,579	\$ 429,931
<b>NON-CURRENT</b>							
Long Term Investments (note 6)	\$ -	\$ 51,910	\$ -	\$ 998,114	\$ 113,000	\$ 1,163,024	\$ 1,333,611
Tangible Capital Assets (note 7)	-	-	3,418,412	-	-	3,418,412	3,295,215
Due From (To) Other Funds (note 4)	81,700	-	(81,700)	-	-	-	-
	\$ 572,325	\$ 55,254	\$ 3,376,554	\$ 1,027,331	\$ 195,550	\$ 5,227,015	\$ 5,058,758
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Accounts Payable & Accrued Liabilities	\$ 430,987	\$ -	\$ -	\$ -	\$ -	\$ 430,987	\$ 342,027
Customer & Student Deposits Held	165,488	-	-	-	-	165,488	114,513
Deferred Revenue (note 8)	650,587	-	-	-	-	650,587	742,777
Debt (note 9)	-	-	30,000	-	-	30,000	410,000
	\$ 1,247,061	\$ -	\$ 30,000	\$ -	\$ -	\$ 1,277,061	\$ 1,609,317
<b>NON-CURRENT</b>							
Debt (note 9)	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ -
	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ -
<b>FUND BALANCES</b>							
Unrestricted	\$ (674,736)	\$ -	\$ -	\$ -	\$ -	\$ (674,736)	\$ (1,129,538)
Internally Restricted	-	55,254	-	-	-	55,254	96,136
Invested in Capital Assets	-	-	2,996,554	-	-	2,996,554	3,104,993
Externally Restricted	-	-	-	1,027,331	195,550	1,222,881	1,377,850
	\$ (674,736)	\$ 55,254	\$ 2,996,554	\$ 1,027,331	\$ 195,550	\$ 3,599,953	\$ 3,449,441
	\$ 572,325	\$ 55,254	\$ 3,376,554	\$ 1,027,331	\$ 195,550	\$ 5,227,015	\$ 5,058,758


## 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, 2020 and August 31, 2019

						August 31	August 31
	Operating	Internal	Capital Asset	Endowment	Restricted	2020	2019
	Fund	Fund	Fund	Fund	Fund	Total	Total
<b>REVENUE</b>							
Tuitions (note 12)	\$ 3,052,936	\$ -	\$ -	\$ -	\$ -	\$ 3,052,936	\$ 3,215,127
Fees & Other Income	54,692	-	-	-	-	54,692	64,139
Investment Income (note 6)	-	-	-	31,959	450	32,409	95,547
Facilities & Events	174,077	-	-	-	-	174,077	293,797
<b>Total Earned Revenue</b>	<b>\$ 3,281,706</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,959</b>	<b>\$ 450</b>	<b>\$ 3,314,115</b>	<b>\$ 3,668,610</b>
Fundraising (note 13)	\$ 1,435,356	\$ -	\$ 189,846	\$ 206,267	\$ 110,990	\$ 1,942,459	\$ 2,284,690
Federal Emergency Subsidies	549,842	-	-	-	-	549,842	-
Gain (Loss) on Sale of Assets	-	-	(1,683)	-	-	(1,683)	(2,625)
Unrealized Loss on Investments (note 6)	-	-	-	(3,598)	-	(3,598)	(44,352)
	<b>\$ 5,266,904</b>	<b>\$ -</b>	<b>\$ 188,163</b>	<b>\$ 234,628</b>	<b>\$ 111,440</b>	<b>\$ 5,801,135</b>	<b>\$ 5,906,323</b>
<b>EXPENSES</b>							
Wages & Benefits	\$ 4,200,315	\$ -	\$ -	\$ -	\$ -	\$ 4,200,315	\$ 4,217,554
Program Costs	37,026	-	-	-	20,468	57,494	74,127
Administration	119,792	-	14,855	12,483	-	147,129	143,374
Marketing	41,714	-	-	-	-	41,714	47,649
Fundraising	21,000	-	-	-	-	21,000	66,359
Events	90,226	-	-	-	-	90,226	106,905
Facilities	306,109	-	-	-	-	306,109	315,065
Scholarships & Bursaries	-	-	-	98,145	85,121	183,266	187,277
Amortization	-	-	358,539	-	-	358,539	375,880
	<b>\$ 4,816,181</b>	<b>\$ -</b>	<b>\$ 373,394</b>	<b>\$ 110,628</b>	<b>\$ 105,589</b>	<b>\$ 5,405,792</b>	<b>\$ 5,534,190</b>
Excess (Deficiency) of Revenues over Expenses	\$ 450,723	\$ -	\$ (185,231)	\$ 124,000	\$ 5,851	\$ 395,343	\$ 372,133
Transfers to Third Party Endowment Funds (note 10)	-	-	-	(244,829)	-	(244,829)	(715,310)
Transfers (note 14)	4,079	(40,882)	76,793	(20,973)	(19,018)	-	-
<b>Net Change For The Year</b>	<b>\$ 454,802</b>	<b>\$ (40,882)</b>	<b>\$ (108,438)</b>	<b>\$ (141,802)</b>	<b>\$ (13,166)</b>	<b>\$ 150,514</b>	<b>\$ (343,176)</b>
Fund Balances, Beginning of Period	(1,129,538)	96,136	3,104,992	1,169,133	208,717	3,449,439	3,792,617
<b>Fund Balances, End of Period</b>	<b>\$ (674,736)</b>	<b>\$ 55,254</b>	<b>\$ 2,996,554</b>	<b>\$ 1,027,331</b>	<b>\$ 195,550</b>	<b>\$ 3,599,953</b>	<b>\$ 3,449,441</b>

See accompanying notes to financial statements

## Victoria Conservatory of Music

Statements of Cash Flow

Years Ended August 31, 2020 and August 31, 2019

	August 31 2020	August 31 2019
Cash Provided by (Used in):		
<b>OPERATING ACTIVITIES</b>		(note 16)
Excess (Deficiency) of Revenues over Expenses	\$ 395,343	\$ 372,133
Items not involving cash:		
Amortization of Capital Assets	358,539	375,880
Donations of Capital Assets	(81,741)	(24,886)
Gain on Sale of Assets	1,683	2,625
Donations of Long Term Investments	(357,926)	(155,704)
Realized (Gain) Loss on Investments	(1,368)	(61,989)
Unrealized (Gain) Loss on Investments	3,598	44,352
Changes in Non-Cash Working Capital:		
Accounts Receivable	(24,434)	(11,481)
Prepaid Expenses	3,821	(2,534)
Inventory	443	639
Accounts Payable and Accrued Liabilities	88,959	29,577
Customer and Student Deposits Held	50,975	23,702
Deferred Revenue	(92,190)	(6,547)
<b>Cash Flow from Operating Activities</b>	<b>\$ 345,703</b>	<b>\$ 585,768</b>
<b>INVESTING ACTIVITIES</b>		
Payout of Interest in Trusts	\$ -	\$ 73,850
Purchase Of Capital Assets	(408,979)	(222,579)
Sale Of Capital Assets	7,300	84,686
Purchase Of Long Term Investments	(496,666)	(708,389)
Sale Of Long Term Investments	1,022,949	1,046,053
Reclassification of Long Term Investments to Cash	-	10,000
Transfers to Third Party Endowment Funds	(244,829)	(715,310)
<b>Cash Flow Used By Investing Activities</b>	<b>\$ (120,225)</b>	<b>\$ (431,689)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment Of Debt	\$ (30,000)	\$ (30,000)
<b>Cash Flow from (Used by) Financing Activities</b>	<b>\$ (30,000)</b>	<b>\$ (30,000)</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>\$ 195,478</b>	<b>\$ 124,079</b>
Cash and Cash Equivalents - Beginning of Year	217,751	93,671
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 413,228</b>	<b>\$ 217,751</b>
REPRESENTED BY:		
Cash in Operating & Chequing Accounts	\$ 227,263	\$ (96,275)
Restricted Gaming Funds	72,234	191,786
Investment Account(s)	106,605	115,714
Funds on Hand / In Transit from Third Parties	7,126	6,526
	<b>\$ 413,228</b>	<b>\$ 217,751</b>
Supplemental Cash Flow Information		
Interest Paid During Year	\$ 14,855	\$ 16,745

# Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

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## 1 PURPOSE OF ORGANIZATION

The Victoria Conservatory of Music (VCM) is incorporated under the British Columbia Society Act as a not for profit organization, and is a registered charity under the Income Tax Act. Its mission is to inspire, nurture and enrich lives through excellence in music education, performance and wellness.

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## 2 SIGNIFICANT ACCOUNTING POLICIES

The 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 internal and external restrictions placed on the use of resources available to the VCM are properly accounted for, resources are classified for accounting 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

The 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 in the year received or receivable.
- (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.



## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

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### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (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 the VCM consist 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 \$3,598 (2019 - losses of \$44,352) have been recognized as changes in the Endowment Fund balance in the current year.

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, 2020:

- (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, 2020, portfolio investments of \$208,449 and a USD bank account of \$22,567 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.

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

	August 31 2020	August 31 2019
Current Debt	\$ 30,000	\$ 410,000
Non-Current Debt	350,000	-
Bank Indebtedness (Overdraft)	-	82,338
	\$ 380,000	\$ 492,338

#### (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.

#### (G) Adoption of new accounting standard

On September 1, 2019, the Conservatory adopted new accounting standard Section 4433 Tangible capital assets held by not-for-profit organizations (the standard"). The most significant requirements include:

- i) Tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- ii) tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- iii) additional disclosures when an impairment has occurred.

The adoption of the new accounting standard was applied prospectively and the figures for 2019 have not been restated. The adoption of this standard did not result in any impact on the financial statements as at August 31, 2020.

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

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### 3 ACCOUNTS RECEIVABLE

	August 31 2020	August 31 2019
Student Tuitions	\$ 50,427	\$ 121,592
Events, Grants, Sponsorships, & Administrative	114,142	24,980
Federal GST Rebate	10,500	3,322
Credit Card Processor	691	1,431
Allowance for Doubtful Accounts	(10,000)	(10,000)
	<u>\$ 165,759</u>	<u>\$ 141,325</u>

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### 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 and 2020, a large capital asset (a cello) and several pianos were sold and a portion of the proceeds was used by the Capital Fund to pay back the Operating Fund for cash flow purposes. In September 2020, a motion was passed by the Board of Directors and funds were allocated to the Capital Fund as a mortgage pre-payment, and so the remaining inter-fund balance was eliminated.

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### 5 INTEREST IN TRUSTS

In December 2017, the VCM was established as a 4.17% beneficiary of a testamentary trust. The VCM's remaining interest of \$1,186 will be recorded as an asset upon receipt and has been received in November 2020.

In April 2018, the VCM was established as a 11.11% beneficiary of a testamentary trust. The VCM's remaining estimated interest of \$35,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

In January 2019, the VCM was established as both a defined and a 50% beneficiary of a testamentary trust. The VCM's estimated interest of \$200,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

In August 2019, the VCM was established as a 35% beneficiary of a testamentary trust. The VCM's estimated interest of \$2,800,000 will be recorded as an asset upon receipt. An initial distribution of \$1,400,000 has been received in September 2020 and the remainder is expected over the next two fiscal years.

In November 2019, the VCM was established as a defined beneficiary of a testamentary trust. The VCM's stated interest of \$30,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

In March 2020, the VCM was established as a defined beneficiary of a testamentary trust. The VCM's stated interest of \$200,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

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## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 6 LONG-TERM INVESTMENTS

	August 31 2020	August 31 2019
Operating Fund	\$ -	\$ -
Internal Funds	51,910	-
Endowment Funds	998,114	1,215,611
Restricted Funds	113,000	118,000
<b>Total at Fair Market Value</b>	<b>\$ 1,163,024</b>	<b>\$ 1,333,611</b>

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2020 Total	
Fixed Income	\$ -	\$ 51,910	\$ 364,520	\$ 113,000	\$ 529,430	46%
Equity - Canadian	-	-	\$ 384,120	-	384,120	33%
Equity - Foreign	-	-	\$ 249,474	-	249,474	21%
	<b>\$ -</b>	<b>\$ 51,910</b>	<b>\$ 998,114</b>	<b>\$ 113,000</b>	<b>\$ 1,163,024</b>	<b>100%</b>

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.

### 7 TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	August 31 2020 Net Book Value	August 31 2019 Net Book Value
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319
Building	5,969,200	(3,765,458)	2,203,742	1,999,073
Leasehold Improvements - Westhills location	368,687	(331,572)	37,116	110,853
Computer equipment and software	328,402	(241,706)	86,696	68,408
Furniture and fixtures	451,053	(361,803)	89,251	138,498
Library assets	64,963	(63,521)	1,442	5,003
Musical instruments	1,482,322	(1,132,475)	349,847	323,060
	<b>\$ 9,314,947</b>	<b>\$ (5,896,535)</b>	<b>\$ 3,418,412</b>	<b>\$ 3,295,215</b>

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 8 DEFERRED REVENUE

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

	August 31 2020	August 31 2019
BC Arts Council	\$ 159,397	\$ 151,040
BC Gaming	71,500	71,500
Camosun Base Funding	185,000	187,500
Capital Region District	55,000	55,000
Lease Inducement	5,212	17,720
Children's Health Foundation of Vancouver Island	10,000	20,000
NRS Foundation	-	17,500
Student Tuitions	87,948	208,301
Various	76,530	14,216
	<u>\$ 650,587</u>	<u>\$ 742,777</u>

### 9 DEBT

The VCM has a \$500,000 overdraft facility with the Bank of Montreal of which \$0 was used as at August 31, 2020 (August 31, 2019 - \$147,126). 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 \$380,000 is owing on August 31, 2020 (August 31, 2019: \$410,000). The mortgage bears interest at 3.37% per annum, repayable in monthly blended payments. The loan is due on April 23, 2022, but amortized to June 30, 2033. Management expects to renew this mortgage upon maturity on April 23, 2022.

Principal repayment terms are approximately:

2020-2021	\$ 30,000
2021-2022	350,000
	<u>380,000</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

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 10 HELD IN TRUST

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

	Share of Fund	August 31, 2020		August 31, 2019	
		Fund Balance Designated to VCM	Endowment Distributions Received	Fund Balance Designated to VCM	Endowment Distributions Received
Victoria Foundation					
Victoria Conservatory of Music Scholarship & Bursary Fund	100%	\$ 2,069,672	\$ 83,674	\$ -	\$ -
Victoria Conservatory of Music Operating Fund	100%	1,820,087	66,355	-	-
Victoria Conservatory of Music Fund	100%	-	-	3,355,749	102,294
Eric & Shirley Charman Young Musicians Bursary Fund	100%	1,258,920	15,810	1,004,563	5,440
Van Hall Fund for the Arts	100%	1,084,146	30,000	764,765	30,000
Goolden Fund	100%	390,758	14,985	388,904	14,613
Frederick William Kischell Bursary Fund	100%	153,958	6,086	153,287	5,947
Richard Margison Fund for Opera Studio	100%	63,788	2,433	63,239	2,371
Sisters of Saint Ann Young Musicians Fund	100%	24,905	992	24,873	1,005
Joan C. McCarter Foundation	Partial %	3,358,995	67,109	3,279,872	26,735
Aline and Norman Fowlow Fund	Partial %	198,854	7,323	197,587	7,145
Thomas Mayne Fund	Partial %	100,070	3,979	99,933	4,053
Elizabeth McPherson Fund for the Arts	Partial %	41,594	1,537	41,264	1,492
Norval Schroeder Fund	Partial %	34,948	1,388	34,898	1,357
Sandra and David Goodwin Fund	Partial %	25,531	1,014	25,496	1,033
Bayberry Fund	Partial %	25,510	733	25,169	578
Randy Diamond & Dree Thomson-Diamond Fund	Partial %	5,178	170	5,124	150
Michael & Anne Tyler Fund	Set distribution	N/A	1,000	N/A	-
		10,656,915	304,587	9,464,724	204,212
Vancouver Foundation (FMV as at June 30th)					
Victoria Conservatory of Music Endowment Fund	100%	257,667	10,323	264,701	10,007
		\$ 10,914,582	\$ 314,911	\$ 9,729,424	\$ 214,219

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.

In September 2019, the Victoria Conservatory of Music Fund at the Victoria Foundation was closed and its two component parts were apportioned out to the new Victoria Conservatory of Music Operating Fund and the new Victoria Conservatory of Music Scholarship & Bursary Fund.

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 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 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. A new lease is under negotiation but not yet signed. Lease payments, operating costs, and tax under the current lease are approximately:

	Base Rent	Operating Costs	Total Payments
2020-2021	29,530	19,103	\$ 48,633
	\$ 29,530	\$ 19,103	\$ 48,633

### 12 TUITIONS REVENUE

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

	August 31 2020	August 31 2019
Collegium Program	\$ 116,706	\$ 93,535
Community Programs	1,972,508	2,079,328
Music Therapy & Wellness Programs	426,253	519,651
Postsecondary Programs - Camosun	536,094	512,533
Postsecondary Programs - Teaching Certificate	1,376	10,079
	\$ 3,052,936	\$ 3,215,127

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 the 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.

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

### 13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 33% (2019 - 39%) of total revenues. All other revenues are considered earned income and represent 67% (2019 - 61%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2020	August 31 2019
Individual Donors	\$ 732,785	\$ -	\$ 189,846	\$ 73,620	\$ 35,632	\$ 1,031,883	\$ 1,081,577
Fundraising Events	11,169	-	-	-	-	11,169	86,791
Foundations/Grants	139,392	-	-	4,000	39,272	182,664	479,470
Endowment Distributions	205,520	-	-	127,647	36,086	369,253	214,219
Corporate Donors & Sponsors	60,347	-	-	1,000	-	61,347	125,844
Government Grants							
Federal - Festival Grant	6,500	-	-	-	-	6,500	3,900
Provincial - BC Arts Council - Operating Grants	134,200	-	-	-	-	134,200	124,400
Provincial - BC Arts Council - Project Grants	7,443	-	-	-	-	7,443	24,989
Provincial - BC Gaming	71,500	-	-	-	-	71,500	71,500
Municipal - CRD	55,000	-	-	-	-	55,000	55,000
Municipal - City of Victoria	6,000	-	-	-	-	6,000	11,500
Net loss on sale of Donated Items	-	-	-	-	-	-	-
50th Anniversary Campaign	5,500	-	-	-	-	5,500	5,500
	\$ 1,435,356	\$ -	\$ 189,846	\$ 206,267	\$ 110,990	\$ 1,942,459	\$ 2,284,690

### 14 TRANSFERS

	August 31, 2020				
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (44,855)	\$ -	\$ 44,855	\$ -	\$ -
Donor Directed Funding	40,882	(40,882)	-	-	-
Capital Asset Purchases	(12,920)	-	31,938	-	(19,018)
Endowment Fund Administration Fees	20,973	-	-	(20,973)	-
	\$ 4,079	\$ (40,882)	\$ 76,793	\$ (20,973)	\$ (19,018)

	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)
	\$ (40,715)	\$ (61,181)	\$ 147,239	\$ (39,588)	\$ (5,754)



## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

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### 15 INTERNAL FUND

	August 31 2020	August 31 2019
Working Capital	\$ 55,254	\$ 96,136
Building	-	-
	<u>\$ 55,254</u>	<u>\$ 96,136</u>

The Working Capital internal funds were drawn down in 2019-2020 to use 50th campaign funds to cover the Westhills deficit, to fund a recording project, to fund Music Wellness start-up costs, and to fund Music Outreach programs in Elementary Schools.

The August 31, 2020 balance of the Working Capital fund includes remaining 50th campaign funds held to cover Westhills deficits, Music Wellness and Music Outreach funds held to run these programs in upcoming academic years, as well as funds to carryforward to the 2021 Pacific Baroque Festival.

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### 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, the VCM did not pay any remuneration to directors.

During the year, the VCM paid \$1,168,400 in remuneration to the ten top remunerated persons who are employees or contractors, whose remuneration, during the applicable period, was at least \$75,000.

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### 17 SUBSEQUENT EVENT

Subsequent to year end, the VCM received a \$1,400,000 initial distribution from a Bequest on September 16, 2020.

Subsequent to year end, the VCM transferred \$400,000 from the Operating Fund to the Endowment Fund, and then to Victoria Foundation on September 30, 2020, as a contribution to the Victoria Conservatory of Music Operating Fund at the Victoria Foundation.

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## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2020 and August 31, 2019

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### 18 COVID-19 IMPACT ON OPERATIONS

On March 11, 2020 the World Health Organization declared the COVID-19 outbreak a pandemic which has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Management has responded to the pandemic through applying for various government wage and rent subsidies, implementing working from home arrangements for some administrative staff, restricting building access to the public, and adopting a digital delivery model for some classes in order to prevent the spread of COVID-19. In-person board and management meetings which were originally scheduled to occur during this period have also been changed to virtual online meetings. Management believes that the pandemic has had a negative effect on the VCM's revenues, however the loss has been supplemented by government subsidies received.

The financial position and results of operations as of, and for the year ended, August 31, 2020 have captured the impact of these events. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the VCM for future periods.

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