

**VICTORIA CONSERVATORY OF MUSIC**

**Financial Statements**

**Year ended August 31, 2016**

**VICTORIA CONSERVATORY OF MUSIC**  
**Index to Financial Statements**  
**Year Ended August 31, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

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To the Members of Victoria Conservatory of Music

We have audited the accompanying financial statements of Victoria Conservatory of Music, which comprise the statement of financial position as at August 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report to the Members of Victoria Conservatory of Music *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria Conservatory of Music as at August 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society 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.

Other Matter

The financial statements of the Victoria Conservatory of Music for the year ended August 31, 2015, were audited by Hayes Stewart Little & Co, who expressed an unmodified opinion on those statements on December 2, 2015. The partners and staff of Hayes Stewart Little & Co joined Grant Thornton LLP subsequent to December 2, 2015.



Victoria, BC  
November 30, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

# Victoria Conservatory of Music

## Statements of Financial Position

August 31, 2016 and August 31, 2015

						August 31 2016	August 31 2015
	Operating Fund	Internal Fund (note 15)	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
<b>ASSETS</b>							
<b>CURRENT</b>							
Cash and Cash Equivalents	\$ 304,261	\$ -	\$ -	\$ 47,153	\$ 1,273	\$ 352,687	\$ 389,586
Accounts Receivable (note 3)	257,994	-	-	-	-	257,994	164,633
Prepaid Expenses	33,621	-	-	-	-	33,621	20,048
Inventory	31,269	-	-	-	-	31,269	6,361
Due From (To) Other Funds (note 4)	(274,770)	183,755	(430)	13,082	78,363	-	-
	352,375	183,755	(430)	60,235	79,636	675,572	580,628
<b>NON-CURRENT</b>							
Interest in Trusts (note 5)	73,850	-	-	-	-	73,850	73,850
Long Term Investments (note 6)	-	-	-	1,562,369	89,500	1,651,869	1,469,207
Tangible Capital Assets (note 7)	-	-	3,852,058	-	-	3,852,058	3,406,436
Due From (To) Other Funds (note 4)	200,000	-	(200,000)	-	-	-	-
	\$ 626,225	\$ 183,755	\$ 3,651,628	\$ 1,622,604	\$ 169,136	\$ 6,253,348	\$ 5,530,121
<b>LIABILITIES</b>							
<b>CURRENT</b>							
Accounts Payable and Accrued Liabilities	\$ 352,898	\$ -	\$ -	\$ -	\$ -	\$ 352,898	\$ 210,812
Customer and Student Deposits Held	59,863	-	-	-	-	59,863	66,210
Deferred Revenue (note 8)	731,308	-	-	-	-	731,308	697,176
Debt (note 9)	-	-	116,409	-	-	116,409	280,441
	1,144,069	-	116,409	-	-	1,260,478	1,254,639
<b>NON-CURRENT</b>							
Debt (note 9)	-	-	239,250	-	-	239,250	-
	-	-	239,250	-	-	239,250	-
<b>FUND BALANCES</b>							
Unrestricted	(517,844)	-	-	-	-	(517,844)	(231,616)
Internally Restricted	-	183,755	-	-	-	183,755	19,150
Invested in Capital Assets	-	-	3,295,969	-	-	3,295,969	2,923,276
Externally Restricted	-	-	-	1,622,604	169,136	1,791,740	1,564,672
	(517,844)	183,755	3,295,969	1,622,604	169,136	4,753,620	4,275,482
	\$ 626,225	\$ 183,755	\$ 3,651,628	\$ 1,622,604	\$ 169,136	\$ 6,253,348	\$ 5,530,121

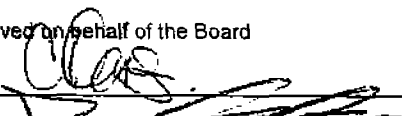
FUNDS HELD IN TRUST (note 10)


COMMITMENTS (note 11)

SUBSEQUENT EVENT (note 16)

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, 2016 and August 31, 2015

						August 31 2016	August 31 2015
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
<b>REVENUE</b>							
Tuitions (note 12)	\$ 2,901,171	\$ -	\$ -	\$ -	\$ -	\$ 2,901,171	\$ 2,743,213
Fees & Other Income	64,354	-	-	-	-	64,354	75,154
Investment Income (note 6)	-	93	-	59,163	780	60,036	94,583
Facilities & Events Income	352,076	-	-	-	-	352,076	330,222
Total Earned Revenue	3,317,601	93	-	59,163	780	3,377,637	3,243,172
Fundraising Income (note 13)	1,916,047	-	207,142	105,581	107,127	2,335,897	1,913,728
Gain (Loss) on Sale of Assets	-	-	414	-	-	414	-
Unrealized Gain (Loss) on Investments (note 6)	-	-	-	52,126	-	52,126	(57,064)
	<b>\$ 5,233,648</b>	<b>\$ 93</b>	<b>\$ 207,556</b>	<b>\$ 216,870</b>	<b>\$ 107,907</b>	<b>\$ 5,766,074</b>	<b>\$ 5,099,836</b>
<b>EXPENSES</b>							
Wages & Benefits	\$ 3,899,627	\$ -	\$ -	\$ -	\$ -	\$ 3,899,627	\$ 3,751,122
Program Costs	86,530	-	-	-	2,897	89,427	90,416
Administration Expenses	115,483	-	10,221	24,380	-	150,084	130,095
Marketing	124,817	-	-	-	-	124,817	91,825
Fundraising	212,411	-	-	-	-	212,411	255,371
Events	124,007	-	-	-	-	124,007	98,093
Facilities	262,920	10,189	-	-	-	273,109	256,681
Scholarships & Bursaries	8,800	-	-	73,581	40,340	122,721	118,426
Amortization	-	-	291,734	-	-	291,734	267,900
	<b>\$ 4,834,595</b>	<b>\$ 10,189</b>	<b>\$ 301,955</b>	<b>\$ 97,961</b>	<b>\$ 43,237</b>	<b>\$ 5,287,937</b>	<b>\$ 5,059,929</b>
Excess (Deficiency) of Revenues over Expenses	399,053	(10,096)	(94,399)	118,909	64,670	478,137	39,907
Transfers (note 14)	(685,283)	174,701	467,093	39,600	3,889	-	-
Net Change For The Year	(286,230)	164,605	372,694	158,509	68,559	478,137	39,907
Fund Balances, Beginning of Period	(231,614)	19,150	2,923,275	1,464,095	100,577	4,275,483	4,235,575
Fund Balances, End of Period	<b>\$ (517,844)</b>	<b>\$ 183,755</b>	<b>\$ 3,295,969</b>	<b>\$ 1,622,604</b>	<b>\$ 169,136</b>	<b>\$ 4,753,620</b>	<b>\$ 4,275,482</b>

See accompanying notes to financial statements

# Victoria Conservatory of Music

## Statements of Cash Flow

Years Ended August 31, 2016 and August 31, 2015

Cash Provided by (Used in):	August 31 2016	August 31 2015 (note 17)
<b>OPERATING ACTIVITIES</b>		
Excess (Deficiency) of Revenues over Expenses	\$ 478,137	\$ 39,907
Items not involving cash:		
Amortization of Capital Assets	291,734	267,900
Donations of Capital Assets	(173,279)	(104,910)
Donation of Long Term Investments	(257,498)	(352,599)
Gain on Sale of Assets	(414)	-
Realized Gain (Loss) on Investments	(16,846)	(51,346)
Unrealized Gain (Loss) on Investments	(52,126)	57,064
Changes in Non-Cash Working Capital:		
Accounts Receivable	(93,361)	87,518
Prepaid Expenses	(13,574)	(5,440)
Inventory	(24,908)	337
Accounts Payable and Accrued Liabilities	142,086	46,967
Customer and Student Deposits Held	(6,347)	(16,104)
Deferred Revenue	34,132	(103,991)
<b>Cash Flow from Operating Activities</b>	<b>307,736</b>	<b>(134,697)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase Of Capital Assets	(565,965)	(260,365)
Sale Of Capital Assets	2,302	-
Purchase Of Long Term Investments	(533,347)	(748,305)
Sale Of Long Term Investments	677,158	1,070,413
<b>Cash Flow Used By Investing Activities</b>	<b>(419,852)</b>	<b>61,743</b>
<b>FINANCING ACTIVITIES</b>		
New Mortgage Borrowing	368,769	-
Repayment Of Debt	(293,552)	(18,926)
<b>Cash Flow from (Used by) Financing Activities</b>	<b>75,217</b>	<b>(18,926)</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(36,899)</b>	<b>(91,880)</b>
Cash and Cash Equivalents - Beginning of Year	389,586	481,466
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 352,687</b>	<b>\$ 389,586</b>
<b>REPRESENTED BY:</b>		
Cash	207,942	46,139
Restricted Gaming Funds	85,032	85,036
Investment Account(s)	48,426	245,570
Funds on Hand / In Transit from Third Parties	11,287	12,841
	<b>\$ 352,687</b>	<b>\$ 389,586</b>
<b>Supplemental Cash Flow Information</b>		
Interest Paid During Year	<b>\$ 8,845</b>	<b>\$ 10,300</b>

See accompanying notes to financial statements

# Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2016 and August 31, 2015

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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 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.

### (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. Investment income earned on resources of the fund is allocated on a pro rata basis. Scholarships and bursaries awarded are reported in the various funds depending on the nature of any restrictions imposed by contributors of funds for endowment.
- (v) The **Restricted Fund** reports resources contributed for specific purposes which are restricted by the donor. Investment income earned on resources of the Restricted Fund is reported in various funds on a pro rata basis.

### (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 and all other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable and 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. Because of 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 gains of \$52,126 (2015 - losses of \$57,064) 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, 2016:

- (i) Credit risk arises from the potential that a counter 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.

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 2016	August 31 2015
Current Debt	\$ 116,409	\$ 280,441
Non-Current Debt	239,250	-
	<u>\$ 355,659</u>	<u>\$ 280,441</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:

		Non-amortizable
Land		
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.

## Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2016 and August 31, 2015

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### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

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### 3 ACCOUNTS RECEIVABLE

	August 31 2016	August 31 2015
Student Tuitions	\$ 125,367	\$ 117,873
Events, Grants, Sponsorships, & Administrative	132,030	40,616
Federal GST Rebate	2,019	9,398
Credit Card Processor	3,578	1,746
Allowance for Doubtful Accounts	(5,000)	(5,000)
	<u>\$ 257,994</u>	<u>\$ 164,633</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. The inter-fund balance will be eliminated through transfers should funds become available or will be reborrowed and settled.

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### 5 INTEREST IN TRUSTS

In April 2005, VCM became the 25% beneficiary of a charitable remainder trust. The value of the trust is recorded at VCM's share of the actuarial valuation determined when established. This valuation is considered to approximate fair market value at \$73,850.

In December 2014, VCM was established as a 3% beneficiary of a testamentary trust. The capital was partially distributed in October 2015. VCM's remaining interest of \$7,650 has been recorded as an asset upon receipt in September 2016.

In March 2016, VCM was established as a beneficiary of a testamentary trust with a bequest of \$50,000. VCM's remaining interest of \$50,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

In July 2016, VCM was established as a beneficiary of a testamentary trust with a bequest of \$40,000. VCM's remaining interest of \$40,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

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**Victoria Conservatory of Music**

Notes to Financial Statements

August 31, 2016 and August 31, 2015

**6 LONG-TERM INVESTMENTS**

	August 31 2016	August 31 2015
Operating Fund	\$ -	\$ -
Internal Funds	-	-
Endowment Funds	1,562,369	1,420,307
Restricted Funds	89,500	48,900
<b>Total at Fair Market Value</b>	<b>\$ 1,651,869</b>	<b>\$ 1,469,207</b>

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2016 Total	
Fixed Income	\$ -	\$ -	\$ 528,452	\$ 89,500	\$ 617,952	37%
Equity - Canadian	-	-	662,154	-	662,154	40%
Equity - Foreign	-	-	371,763	-	371,763	23%
	\$ -	\$ -	\$ 1,562,369	\$ 89,500	\$ 1,651,869	100%

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 2016 Net Book Value	August 31 2015 Net Book Value
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319
Building	5,445,335	(3,208,683)	2,236,652	2,244,170
Leasehold Improvements - Westhills location	367,816	(36,782)	331,034	51,258
Leasehold Improvements - Library Lease	9,685	(1,937)	7,748	9,112
Computer equipment and software	183,927	(149,746)	34,181	43,923
Furniture and fixtures	268,037	(209,623)	58,414	60,030
Library assets	62,213	(30,116)	32,097	85,448
Musical instruments	1,389,073	(887,460)	501,613	262,176
	<b>\$ 8,376,405</b>	<b>\$ (4,524,347)</b>	<b>\$ 3,852,058</b>	<b>\$ 3,406,436</b>

**8 DEFERRED REVENUE**

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

	August 31 2016	August 31 2015
BC Arts Council	\$ 115,505	\$ 97,000
BC Gaming	85,000	85,000
Camosun Base Funding	173,500	172,500
Capital Region District	55,000	55,000
Creative BC	2,533	4,694
Lease Inducement	55,246	9,365
NRS	-	54,000
Student Tuitions	182,770	192,819
Various	61,754	26,798
	<b>\$ 731,308</b>	<b>\$ 697,176</b>

# Victoria Conservatory of Music

Notes to Financial Statements  
August 31, 2016 and August 31, 2015

## 9 DEBT

The VCM has a \$400,000 overdraft facility with the Bank of Montreal of which \$nil was used as at August 31, 2016 (August 31, 2015 - \$nil). 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 \$550,000 mortgage credit limit, upon which the following two mortgages have been drawn:

The VCM has a new \$268,769 mortgage of which \$259,825 is owing on August 31, 2016 (August 31, 2015: \$280,441). The mortgage bears interest at 3.09% per annum, repayable in monthly blended payments. The loan is due on March 31, 2018, but amortized to June 30, 2027.

The VCM has a new \$100,000 mortgage of which \$95,833 is owing on August 31, 2016 (August 31, 2015: \$nil). The mortgage bears interest at prime plus 0.65% per annum, repayable in monthly blended payments. The loan is due on demand, but amortized to March 31, 2026.

Principal repayment terms are approximately:

2016-2017	\$	30,576
2017-2018		31,221
2018-2019		31,886
2019-2020		32,556
2020-2021		33,279
Thereafter		196,141
	\$	355,659
Less: Current Debt	\$	(116,409)
Non-Current Debt	\$	239,250

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.

## 10 HELD IN TRUST

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

	August 31, 2016		August 31, 2015	
	Fund Balance	Endowment Distributions Received	Fund Balance	Endowment Distributions Received
Victoria Foundation				
Victoria Conservatory of Music Fund	\$ 2,317,181	\$ 80,080	\$ 2,240,056	\$ 71,993
Van Hall Fund for the Arts	747,232	20,000	737,347	20,000
Goolden Fund	368,365	12,745	356,341	11,464
Frederick William Kischell Bursary Fund	145,321	5,325	140,748	4,920
Elizabeth McPherson Fund for the Arts	102,191	1,285	98,561	1,168
Richard Margison Fund for Opera Studio	59,752	2,065	57,763	1,857
Norval Schroeder Fund	66,302	1,217	64,289	1,125
Bayberry Fund		219		170
	3,806,344	122,936	3,695,105	112,697
Vancouver Foundation (FMV as at June 30th)				
Victoria Conservatory of Music Endowment Fund	243,150	8,730	241,438	8,277
	\$ 4,049,494	\$ 131,666	\$ 3,936,543	\$ 120,974

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.

**Victoria Conservatory of Music**

Notes to Financial Statements

August 31, 2016 and August 31, 2015

**11 COMMITMENTS**

The VCM leases an adjacent building for its library. Annual rent payments are \$31,500 for 2016-2017 (2015-2016: \$28,980). The lease agreement can be cancelled with three months notice. The VCM has entered into various operating leases for office equipment, of which the annual payments individually and in total are immaterial.

The VCM has 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 is for five years, ending August 31, 2019 and requires 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 lease agreement for the lease of 3,000 sq feet of space in the new and under-construction, YM/YWCA building in Langford. Annual rent began in February 2016 after building completion. Lease payments, operating costs, and tax are approximately:

	Base Rent	Operating Costs	Total Payments
2016-2017	\$ 65,368	\$ 16,058	\$ 81,426
2017-2018	66,978	16,058	\$ 83,036
2018-2019	68,589	16,058	\$ 84,647
2019-2020	70,200	16,058	\$ 86,258
2020-2021	29,530	16,058	\$ 45,588
	<u>\$ 300,665</u>	<u>\$ 80,290</u>	<u>\$ 380,955</u>

**12 TUITIONS REVENUE**

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

	August 31 2016	August 31 2015
Collegium Program	\$ 86,623	\$ 87,166
Community Programs	1,844,851	1,719,173
Music Therapy & Wellness Programs	449,054	401,022
Post-Secondary Programs - Camosun	505,208	521,152
Post-Secondary Programs - Pedagogy & Literature	15,435	14,700
	<u>\$ 2,901,171</u>	<u>\$ 2,743,213</u>

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 Music Therapy studios or in various organizations in the community.

The Post-Secondary Programs consist of the Camosun Music certification and diploma programs. They are delivered in partnership with Camosun College.

The Pedagogy & Literature Program is a unique two-year program 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, 2016 and August 31, 2015

**13 FUNDRAISING INCOME**

Fundraising income represents contributed funding from various sources. These revenues account for 41% (2015 - 38%) of total revenues. All other revenues are considered earned income and represent 59% (2015 - 62%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2016	August 31 2015
							(note 17)
Individual Donors	\$ 556,052	\$ -	\$ 207,142	\$ 65,540	\$ 38,127	\$ 866,862	\$ 739,800
Fundraising Events	149,735	-	-	-	-	149,735	123,529
Foundations/Grants	149,932	-	-	-	43,673	193,605	169,159
Endowment Distributions	66,300	-	-	40,041	25,327	131,667	120,974
Corporate Donors & Sponsors	130,827	-	-	-	-	130,827	112,521
Government Grants							
Provincial - BC Arts Sports & Arts Legacy Fund	97,000	-	-	-	-	97,000	97,000
Provincial - BC Arts Council	32,495	-	-	-	-	32,495	14,067
Provincial - BC Gaming	85,000	-	-	-	-	85,000	70,000
Provincial	10,000	-	-	-	-	10,000	-
Federal	7,855	-	-	-	-	7,855	4,400
Municipal - CRD	55,000	-	-	-	-	55,000	55,000
Municipal - City of Victoria	3,000	-	-	-	-	3,000	2,000
Donations-in-kind	25,200	-	-	-	-	25,200	33,998
50th Anniversary Campaign	547,651	-	-	-	-	547,651	371,280
	\$ 1,916,047	\$ -	\$ 207,142	\$ 105,581	\$ 107,127	\$ 2,335,897	\$ 1,913,728

**14 TRANSFERS**

August 31, 2016					
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (35,004)	\$ -	\$ 35,004	\$ -	\$ -
Capital Asset Purchases	(383,015)	-	386,164	-	(3,149)
Ongoing Library Project Funding	(6,441)	5,946	495	-	-
Create Funds from Operating Bequest	(52,100)	-	-	39,600	12,500
Capital Asset Purchases from Operating Bequest	(70,000)	24,570	45,430	-	-
Create Funds from Campaign Funds	(144,185)	144,185	-	-	-
Other Transfers	5,462	-	-	-	(5,462)
	\$ (685,283)	\$ 174,701	\$ 467,093	\$ 39,600	\$ 3,889

August 31, 2015					
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (29,226)	\$ -	\$ 29,226	\$ -	\$ -
Capital Asset Purchases	(138,659)	-	143,874	-	(5,215)
Ongoing Library Project Funding	(11,224)	9,054	-	-	2,170
Create Funds from Operating Bequest	(37,500)	-	-	25,000	12,500
Move Scholarships from Restricted to Endowment	-	-	-	2,559	(2,559)
Move Scholarships from Endowment to Restricted	-	-	-	(172)	172
Other Transfers	974	-	-	-	(974)
	\$ (215,635)	\$ 9,054	\$ 173,100	\$ 27,387	\$ 6,094

**Victoria Conservatory of Music**

Notes to Financial Statements

August 31, 2016 and August 31, 2015

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**15 INTERNAL FUND**

	August 31 2016	August 31 2015
Working Capital	\$ 53,755	\$ 19,150
Building	130,000	-
	<u>\$ 183,755</u>	<u>\$ 19,150</u>

The Working Capital fund was drawn down by \$10,000 in September 2015 to offset Information Technology expenses. The fund was initially established by Arts Sustainability Victoria to fund unanticipated expenditures and future Information Technology expenses. The 2016 balance of the fund includes an unspent portion of a donation to cover Assistant Librarian wages until the following March / April, as well as the remainder of Bequest funds held for future music equipment purchases, and lastly includes 50th Campaign funds transferred for future use against campaign goals.

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

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**16 SUBSEQUENT EVENT**

Subsequent to year end, the VCM transferred \$200,000 from the Endowment Fund to be held in trust with the Victoria Foundation. The transfer of funds was completed November 25, 2016.

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**17 COMPARATIVES RESTATED**

Some of the comparative figures have been reclassified to conform to the current year's presentation

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