

VICTORIA CONSERVATORY OF MUSIC

Financial Statements

Year ended August 31, 2017

VICTORIA CONSERVATORY OF MUSIC
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Year Ended August 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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, 2017 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.

(continues)



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, 2017 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.

A handwritten signature in black ink that reads "Grant Thornton LLP".

GRANT THORNTON LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
November 29, 2017

Victoria Conservatory of Music

Statements of Financial Position
August 31, 2017 and August 31, 2016

August 31
2017
August 31
2016

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total	Total								
	(note 15)															
ASSETS																
CURRENT																
Cash and Cash Equivalents	\$ 94,654	\$ -	\$ -	\$ 34,841	\$ 70,000	\$ 199,495	\$ 352,687									
Accounts Receivable (note 3)	246,556	-	-	-	-	246,556	257,994									
Prepaid Expenses	61,022	-	-	-	-	61,022	33,621									
Inventory	9,637	-	-	-	-	9,637	31,269									
Due From (To) Other Funds (note 4)	(451,503)	207,645	204,845	20,453	18,559	-	-	-								
	(39,633)	207,645	204,845	55,294	88,559	516,710	675,572									
NON-CURRENT																
Interest in Trusts (note 5)	\$ 73,850	\$ -	\$ -	\$ 1,624,135	\$ 134,000	\$ 73,850	\$ 73,850									
Long Term Investments (note 6)	-	-	3,630,234	-	-	1,758,135	1,651,869									
Tangible Capital Assets (note 7)	-	-	(200,000)	-	-	3,630,234	3,852,057									
Due From (To) Other Funds (note 4)	200,000	-	-	-	-	-	-	-								
	\$ 234,217	\$ 207,645	\$ 3,635,079	\$ 1,679,429	\$ 222,559	\$ 5,978,929	\$ 6,253,348									
LIABILITIES																
CURRENT																
Accounts Payable and Accrued Liabilities	\$ 288,326	\$ -	\$ -	\$ -	\$ -	\$ 288,326	\$ 352,898									
Customer and Student Deposits Held	96,475	-	-	-	-	96,475	59,863									
Deferred Revenue (note 8)	699,306	-	-	-	-	699,306	731,308									
Debt (note 9)	-	-	325,072	-	-	325,072	116,409									
	\$ 1,084,107	\$ -	\$ 325,072	\$ -	\$ -	\$ 1,409,179	1,260,478									
NON-CURRENT																
Debt (note 9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	239,250								
FUND BALANCES																
Unrestricted	\$ (849,890)	\$ -	\$ -	\$ -	\$ -	\$ (849,890)	\$ (517,844)									
Internally Restricted	-	207,645	-	-	-	-	207,645	183,755								
Invested in Capital Assets	-	-	3,310,007	-	-	-	3,310,007	3,295,969								
Externally Restricted	-	-	-	1,679,429	222,559	\$ 1,901,988	1,791,740									
	\$ (849,890)	\$ 207,645	\$ 3,310,007	\$ 1,679,429	\$ 222,559	\$ 4,569,750	4,753,620									
FUNDS HELD IN TRUST (note 10)																
COMMITMENTS (note 11)	\$ 234,217	\$ 207,645	\$ 3,635,079	\$ 1,679,429	\$ 222,559	\$ 5,978,929	\$ 6,253,348									

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, 2017 and August 31, 2016

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	August 31 2017	August 31 2016
REVENUE								
Tuitions (note 12)	\$ 3,071,620	\$ -	\$ -	\$ -	\$ -	\$ 3,071,620	\$ 2,901,171	
Fees & Other Income	55,396	-	-	-	-	56,136	64,354	
Investment Income (note 6)	-	-	-	92,318	740	92,318	60,036	
Facilities & Events Income	327,603	-	-	-	-	327,603	352,076	
Total Earned Revenue	3,454,619			92,318	740	3,547,677	3,377,637	
Fundraising Income (note 13)	1,341,071	-	275,630	249,032	148,939	2,014,672	2,335,897	
Gain (Loss) on Sale of Assets	-	-	-	15,199	-	-	414	
Unrealized Gain (Loss) on Investments (note 6)	\$ 4,795,690	\$ -	\$ 275,630	\$ 356,549	\$ 149,679	\$ 5,577,548	\$ 5,766,075	52,126
EXPENSES								
Wages & Benefits	\$ 4,219,812	\$ -	\$ -	\$ -	\$ -	\$ 4,219,812	\$ 3,899,627	
Program Costs	66,103	-	-	11,597	24,547	8,822	74,924	89,427
Administration Expenses	115,031	-	-	-	-	-	151,175	150,084
Marketing	88,350	-	-	-	-	-	88,350	124,817
Fundraising	94,668	-	-	-	-	-	94,668	212,411
Events	109,220	-	-	-	-	-	109,220	124,007
Facilities	327,782	-	-	-	-	-	327,782	273,109
Scholarships & Bursaries	-	-	337,116	73,149	85,220	158,370	122,721	
Amortization	\$ 5,020,966	\$ -	\$ 348,713	\$ 97,696	\$ 94,042	\$ 5,561,418	\$ 5,287,937	291,734
Excess (Deficiency) of Revenues over Expenses	(225,276)	-	(73,083)	258,852	55,637	16,130	478,137	
Transfers to Third Party Endowment Funds	-	-	-	(200,000)	-	(200,000)	-	-
Transfers (note 14)	(106,770)	23,890	87,121	(2,028)	(2,213)	-	-	-
Net Change For The Year	(332,046)	23,890	14,038	56,825	53,424	(183,870)	478,137	
Fund Balances, Beginning of Period	(517,844)	183,755	3,295,969	1,622,604	169,136	4,753,620	4,275,483	
Fund Balances, End of Period	\$ (849,890)	\$ 207,645	\$ 3,310,007	\$ 1,679,429	\$ 222,559	\$ 4,569,750	\$ 4,753,620	

See accompanying notes to financial statements

Victoria Conservatory of Music

Statements of Cash Flow
Years Ended August 31, 2017 and August 31, 2016

Cash Provided by (Used in):

OPERATING ACTIVITIES		August 31 2017	August 31 2016
Excess (Deficiency) of Revenues over Expenses Items not involving cash:		\$ 16,130	\$ 478,137
Amortization of Capital Assets	337,116	291,734	
Donations of Capital Assets	(10,855)	(173,279)	
Donation of Long Term Investments	(156,482)	(257,498)	
Gain on Sale of Assets	-	(414)	
Realized Loss on Investments	(53,396)	(16,846)	
Unrealized Loss on Investments	(15,199)	(52,126)	
Changes in Non-Cash Working Capital:			
Accounts Receivable	11,438	(93,361)	
Prepaid Expenses	(27,401)	(13,574)	
Inventory	21,632	(24,908)	
Accounts Payable and Accrued Liabilities	(64,571)	142,086	
Customer and Student Deposits Held	36,612	(6,346)	
Deferred Revenue	(32,002)	34,132	
Cash Flow from Operating Activities	63,022	307,737	

INVESTING ACTIVITIES

Purchase Of Capital Assets	(104,438)	(565,965)
Sale Of Capital Assets	-	2,302
Purchase Of Long Term Investments	(697,053)	(533,347)
Sale Of Long Term Investments	745,863	677,157
Reclassification of Long Term Investments to Cash	70,000	-
Transfers to Third Party Endowment Funds	(200,000)	-
Cash Flow Used By Investing Activities	(185,628)	(419,853)

FINANCING ACTIVITIES

New Mortgage Borrowing	-	368,769
Repayment Of Debt	(30,586)	(293,552)
Cash Flow from (Used by) Financing Activities	(30,586)	75,217

INCREASE (DECREASE) IN CASH FLOW

Cash and Cash Equivalents - Beginning of Year	(153,192)	(36,899)
Cash and Cash Equivalents - End of Year	\$ 199,495	\$ 352,687

REPRESENTED BY:

Cash	26,249	207,942
Restricted Gaming Funds	59,376	85,032
Investment Account(s)	104,841	48,426
Funds on Hand / In Transit from Third Parties	9,029	11,287
Supplemental Cash Flow Information	\$ 199,495	\$ 352,687
Interest Paid During Year	\$ 7,727	\$ 8,845

See accompanying notes to financial statements

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2017 and August 31, 2016

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.

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. 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.

(D) Financial Instruments

The financial instruments of the VCM consists of cash, 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 \$15,146 (2016 - gains of \$52,126) 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, 2017:

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2017 and August 31, 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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.

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, 2017, portfolio investments of \$379,927 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 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 2017	August 31 2016
Current Debt	\$ 325,072	\$ 116,409
Non-Current Debt	-	239,250

(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	40 years	Non-amortizable
Building	Leasehold Improvements	Straight-line method
	4 years	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.

3 ACCOUNTS RECEIVABLE

	August 31 2017	August 31 2016
Student Tuitions	\$ 126,818	\$ 125,367
Events, Grants, Sponsorships, & Administrative	115,311	132,030
Federal GST Rebate	4,042	2,019
Credit Card Processor	5,385	3,579
Allowance for Doubtful Accounts	(5,000)	(5,000)
	\$ 246,556	\$ 257,994

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2017 and August 31, 2016

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.

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. The current approximate fair market value at August 31, 2017 is \$100,000.

6 LONG-TERM INVESTMENTS

	August 31 2017	August 31 2016
Operating Fund	\$ -	\$ -
Internal Funds	-	-
Endowment Funds	1,624,135	1,562,369
Restricted Funds	134,000	89,500
Total at Fair Market Value	\$ 1,758,135	\$ 1,651,869

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2017
Fixed Income	\$ -	\$ -	\$ 549,272	\$ 134,000	\$ 683,272
Equity - Canadian	-	-	699,396	-	699,396
Equity - Foreign	-	-	375,467	-	375,467
	\$ -	\$ -	\$ 1,624,135	\$ 134,000	\$ 1,758,135
					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	Net Book Value	August 31 2017	August 31 2016
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319	\$ 650,319
Building	5,523,280	(3,344,979)	2,178,301	2,178,301	2,236,952
Leasehold Improvements - Westhills location	368,687	(110,359)	258,328	258,328	331,034
Leasehold Improvements - Library location	9,685	(3,874)	5,811	5,811	7,748
Computer equipment and software	195,984	(165,414)	30,570	30,570	34,181
Furniture and fixtures	275,120	(233,321)	41,799	41,799	58,414
Library assets	62,213	(41,073)	21,140	21,140	32,097
Musical instruments	1,406,409	(962,443)	443,966	443,966	501,612
	\$ 8,491,697	\$ (4,881,463)	\$ 3,630,234	\$ 3,630,234	\$ 3,852,057

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2017 and August 31, 2016

8 DEFERRED REVENUE

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

	August 31 2017	August 31 2016
BC Arts Council	\$ 119,500	\$ 115,505
BC Gaming	59,300	85,000
Camosun Base Funding	187,500	173,500
Capital Region District	55,000	55,000
Creative BC	-	2,533
Lease Inducement	42,737	55,246
NRS Foundation	17,000	-
Student Tuitions	191,527	182,770
Various	26,742	61,754
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	\$ 699,306	\$ 731,308

9 DEBT

The VCM has a \$400,000 overdraft facility with the Bank of Montreal of which \$nil was used as at August 31, 2017 (August 31, 2016 - \$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 \$268,769 mortgage of which \$239,239 is owing on August 31, 2017 (August 31, 2016: \$259,825). 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. Management expects to renew this mortgage upon maturity on March 31, 2018.

The VCM has a \$100,000 mortgage of which \$85,833 is owing on August 31, 2017 (August 31, 2016: \$95,833). 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:

2017-2018	\$ 249,239
2018-2019	10,000
2019-2020	10,000
2020-2021	10,000
2021-2022	10,000
Thereafter	35,833
	<hr/>
	325,072

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, 2017 and August 31, 2016

10 HELD IN TRUST

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

		Share of Fund	Fund Balance	Endowment Distributions Received	Fund Balance	Endowment Distributions Received
Victoria Foundation						
Victoria Conservatory of Music Fund	100%	\$ 2,762,780	\$ 85,492	\$ 2,317,181	\$ 80,081	
Van Hall Fund for the Arts	100%	764,163	25,000	747,232	20,000	
Golden Fund	100%	377,601	13,600	368,385	12,745	
Frederick William Kischell Bursary Fund	100%	148,797	5,606	145,321	5,326	
Richard Margison Fund for Opera Studio	100%	61,291	2,205	59,752	2,065	
Aline and Norman Fowlow Fund	Partial	n/a	6,801	n/a	-	
Elizabeth McPherson Fund for the Arts	Partial	n/a	1,371	n/a	1,285	
Norval Schroeder Fund	Partial	n/a	1,280	n/a	1,217	
Joan C. McCarter Foundation	Partial	n/a	874	n/a	-	
Bayberry Fund	Partial	n/a	272	n/a	219	
Randy Diamond & Dree Thomson-Diamond Fund	Partial	n/a	119	n/a	-	
Vancouver Foundation (FMV as at June 30th)		4,114,632	142,620	3,637,851	122,937	
Victoria Conservatory of Music Endowment Fund	100%	258,185	9,133	243,150	8,730	
		\$ 4,372,817	\$ 151,753	\$ 3,881,002	\$ 131,666	

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 leases an adjacent building for its library. Annual rent payments are \$32,760 for 2017-2018 (2016-2017: \$31,500). 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 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
2017-2018	66,978	18,327	\$ 85,305
2018-2019	68,599	18,327	\$ 86,916
2019-2020	70,200	18,327	\$ 88,527
2020-2021	28,530	18,327	\$ 47,857
	\$ 235,297	\$ 73,308	\$ 308,605

Victoria Conservatory of MusicNotes to Financial Statements
August 31, 2017 and August 31, 2016**12 TUITIONS REVENUE**

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

	August 31 2017	August 31 2016
Collegium Program	\$ 98,582	\$ 86,623
Community Programs	1,971,910	1,844,851
Music Therapy & Wellness Programs	449,807	449,054
Postsecondary Programs - Camosun	551,321	505,208
Postsecondary Programs - Pedagogy & Literature	-	15,435
	\$ 3,071,620	\$ 2,901,171

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 Pedagogy & Literature Program is VCM's own unique two-year program designed to help aspiring and practicing music teachers to develop the professional skills necessary to teach. This program was under reconstruction in 2016/17 and has resumed in 2017/18.

13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 36% (2015 - 41%) of total revenues. All other revenues are considered earned income and represent 64% (2015 - 59%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2017	August 31 2016
Individual Donors	\$ 449,854	\$ -	\$ 39,633	\$ 113,972	\$ 85,232	\$ 688,691	\$ 866,862
Fundraising Events	65,241	-	-	-	-	65,241	149,735
Foundations/Grants	260,428	-	35,997	90,314	33,100	419,839	193,605
Endowment Distributions	78,400	-	-	42,746	30,807	151,753	131,666
Corporate Donors & Sponsors	156,818	-	-	2,000	-	158,818	130,827
Government Grants	97,000	-	-	-	-	97,000	97,000
Provincial - BC Arts Sports & Arts Legacy Fund	18,505	-	-	-	-	18,505	32,495
Provincial - BC Arts Council	85,000	-	-	-	-	85,000	85,000
Provincial - BC Gaming	-	-	-	-	-	-	200,000
Federal	3,600	-	-	-	-	3,600	10,000
Municipal - CRD	55,000	-	-	-	-	55,000	7,855
Municipal - City of Victoria	7,625	-	-	-	-	7,625	3,000
Donations-in-kind	-	-	-	-	-	-	25,200
50th Anniversary Campaign	63,600	-	-	-	-	63,600	547,651
	\$ 1,341,071	\$ -	\$ 275,630	\$ 249,032	\$ 148,939	\$ 2,014,672	\$ 2,335,897

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2017 and August 31, 2016

14 TRANSFERS

	August 31, 2017			
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund
Debt Payments	\$ (41,396)	\$ -	\$ 41,396	\$ -
Capital Asset Purchases	\$ (36,443)	\$ (6,105)	\$ 45,725	\$ -
Program/Department Specific Funding	\$ (46,611)	\$ -	\$ -	\$ (3,178)
Withdraw Campaign Funds to cover loss on Art	\$ 16,616	\$ (16,616)	\$ -	\$ -
Other Transfers	\$ 1,063	\$ -	\$ (2,028)	\$ 965
	\$ (106,770)	\$ 23,850	\$ 87,121	\$ (2,028)
			\$ (2,213)	

	August 31, 2016			
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund
Debt Payments	\$ (35,004)	\$ -	\$ 35,004	\$ -
Capital Asset Purchases	\$ (383,015)	\$ -	\$ 386,164	\$ -
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	

15 INTERNAL FUND

	August 31		August 31	
	2017	2016		
Working Capital	\$ 176,466	\$ 53,755		
Building	\$ 31,179	\$ 130,000		
	\$ 207,645	\$ 183,755		

The two internal funds were drawn down in 2016-2017 to fund some instrument purchases, to use 50th funds to cover Westhills and School of Contemporary Music start-up costs, as well as a write-down to reflect an impairment in value of some 50th campaign artwork donations. A portion of the Building Fund was reclassified to Working Capital to cover future Westhills start-up costs, since the building project for which the funds were set aside received other funding to cover its costs.

The August 31, 2017 balance of the Working Capital fund includes an unspent portion of a donation to cover Assistant Librarian wages until the following April, as well as the remainder of Bequest funds held for future music equipment purchases, and lastly includes the Music Wellness and Music Outreach funds held to run these programs in the next academic year. Also, there are funds held to cover Westhills start-up costs.

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 \$1,290,061 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 \$380,138 from the Endowment Fund to be held in trust with the Victoria Foundation. A \$200,000 transfer of funds was completed September 27, 2017. A \$180,138 transfer of funds was completed November 27, 2017.