

VICTORIA CONSERVATORY OF MUSIC

Financial Statements

Year ended August 31, 2018

VICTORIA CONSERVATORY OF MUSIC
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Year Ended August 31, 2018

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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, 2018 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, 2018 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 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, BC
November 28, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria Conservatory of Music

Statements of Financial Position
August 31, 2018 and August 31, 2017

						August 31 2018	August 31 2017
	Operating Fund	Internal Fund (note 15)	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
ASSETS							
CURRENT							
Cash and Cash Equivalents	\$ (11,389)	\$ -	\$ -	\$ 34,615	\$ 70,445	\$ 93,671	\$ 199,495
Accounts Receivable (note 3)	129,844	-	-	-	-	129,844	246,556
Prepaid Expenses	62,293	-	-	-	-	62,293	61,022
Inventory	6,667	-	-	-	-	6,667	9,637
Due From (To) Other Funds (note 4)	(366,502)	157,316	196,852	922	11,412	-	-
	(179,087)	157,316	196,852	35,538	81,857	292,476	516,710
NON-CURRENT							
Interest in Trusts (note 5)	73,850	-	-	-	-	73,850	73,850
Long Term Investments (note 6)	-	-	-	1,382,111	125,824	1,507,935	1,758,135
Tangible Capital Assets (note 7)	-	-	3,510,941	-	-	3,510,941	3,630,234
Due From (To) Other Funds (note 4)	125,000	-	(125,000)	-	-	-	-
	\$ 19,763	\$ 157,316	\$ 3,582,793	\$ 1,417,649	\$ 207,681	\$ 5,385,201	\$ 5,978,929
LIABILITIES							
CURRENT							
Accounts Payable and Accrued Liabilities	\$ 312,450	\$ -	\$ -	\$ -	\$ -	\$ 312,450	\$ 288,326
Customer and Student Deposits Held	90,811	-	-	-	-	90,811	96,475
Deferred Revenue (note 8)	749,324	-	-	-	-	749,324	699,306
Debt (note 9)	-	-	30,000	-	-	30,000	325,072
	1,152,585	-	30,000	-	-	1,182,585	1,409,179
NON-CURRENT							
Debt (note 9)	-	-	410,000	-	-	410,000	-
	-	-	410,000	-	-	410,000	-
FUND BALANCES							
Unrestricted	(1,132,822)	-	-	-	-	(1,132,822)	(849,890)
Internally Restricted	-	157,316	-	-	-	157,316	207,645
Invested in Capital Assets	-	-	3,142,793	-	-	3,142,793	3,310,007
Externally Restricted	-	-	-	1,417,649	207,681	1,625,329	1,901,988
	(1,132,822)	157,316	3,142,793	1,417,649	207,681	3,792,617	4,569,750
	\$ 19,763	\$ 157,316	\$ 3,582,793	\$ 1,417,649	\$ 207,681	\$ 5,385,201	\$ 5,978,929

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, 2018 and August 31, 2017

						August 31 2018	August 31 2017
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
REVENUE							
Tuitions (note 12)	\$ 3,233,458	\$ -	\$ -	\$ -	\$ -	\$ 3,233,458	\$ 3,071,620
Fees & Other Income	59,631	-	-	-	-	59,631	55,396
Investment Income (note 6)	-	-	-	95,257	740	95,997	93,058
Facilities & Events Income	295,817	-	-	-	-	295,817	327,603
Total Earned Revenue	3,588,907	-	-	95,257	740	3,684,904	3,547,677
Fundraising Income (note 13)	1,186,469	-	113,009	86,645	99,128	1,485,250	2,014,672
Unrealized Gain on Investments (note 6)	-	-	-	36,880	-	36,880	15,199
	\$ 4,775,375	\$ -	\$ 113,009	\$ 218,782	\$ 99,868	\$ 5,207,034	\$ 5,577,548
EXPENSES							
Wages & Benefits	\$ 4,288,662	\$ -	\$ -	\$ -	\$ -	\$ 4,288,662	\$ 4,219,812
Program Costs	68,004	-	-	-	5,565	73,569	74,924
Administration Expenses	109,746	-	13,210	22,365	-	145,321	151,175
Marketing	54,692	-	-	-	-	54,692	88,350
Fundraising	72,781	-	-	-	-	72,781	94,668
Events	113,496	-	-	-	-	113,496	109,220
Facilities	336,742	-	-	-	-	336,742	327,782
Scholarships & Bursaries	-	-	-	89,287	82,059	171,346	158,370
Amortization	-	-	347,421	-	-	347,421	337,116
	\$ 5,044,124	\$ -	\$ 360,631	\$ 111,652	\$ 87,624	\$ 5,604,030	\$ 5,561,418
Excess (Deficiency) of Revenues over Expenses	(268,748)	-	(247,622)	107,130	12,244	(396,996)	16,130
Transfers to Third Party Endowment Funds (Note 10)				(380,138)		(380,138)	(200,000)
Transfers (note 14)	(14,183)	(50,329)	80,408	11,227	(27,123)	-	-
Net Change For The Year	(282,932)	(50,329)	(167,214)	(261,780)	(14,879)	(777,134)	(183,870)
Fund Balances, Beginning of Period	(849,890)	207,645	3,310,007	1,679,429	222,559	4,569,750	4,753,620
Fund Balances, End of Period	\$ (1,132,822)	\$ 157,316	\$ 3,142,793	\$ 1,417,649	\$ 207,681	\$ 3,792,617	\$ 4,569,750

See accompanying notes to financial statements

Victoria Conservatory of Music

Statements of Cash Flow

Years Ended August 31, 2018 and August 31, 2017

	August 31 2018	August 31 2017
Cash (Used in) Provided by :		
OPERATING ACTIVITIES		
(Deficiency) Excess of Revenues over Expenses	\$ (396,996)	\$ 16,130
Items not involving cash:		
Amortization of Tangible Capital Assets	347,421	337,116
Donations of Tangible Capital Assets	(12,225)	(10,855)
Donation of Long Term Investments	(93,639)	(156,482)
Realized Gain on Investments	(59,367)	(53,396)
Unrealized Gain on Investments	(36,880)	(15,199)
Changes in Non-Cash Working Capital:		
Accounts Receivable	116,712	11,438
Prepaid Expenses	(1,271)	(27,401)
Inventory	2,970	21,632
Accounts Payable and Accrued Liabilities	24,125	(64,571)
Customer and Student Deposits Held	(5,665)	36,612
Deferred Revenue	50,018	(32,002)
Cash Flow from Operating Activities	(64,797)	63,021
INVESTING ACTIVITIES		
Purchase Of Capital Assets	(215,902)	(104,438)
Purchase Of Long Term Investments	(449,976)	(697,053)
Sale Of Long Term Investments	890,062	745,863
Reclassification of Long Term Investments to Cash	-	70,000
Transfers to Third Party Endowment Funds	(380,138)	(200,000)
Cash Flow Used By Investing Activities	(155,955)	(185,628)
FINANCING ACTIVITIES		
New Mortgage Borrowing	450,000	-
Repayment Of Debt	(335,072)	(30,586)
Cash Flow from (Used by) Financing Activities	114,928	(30,586)
INCREASE (DECREASE) IN CASH FLOW	(105,824)	(153,193)
Cash and Cash Equivalents - Beginning of Year	199,495	352,687
Cash and Cash Equivalents - End of Year	\$ 93,671	\$ 199,495
REPRESENTED BY:		
Cash	(95,547)	26,249
Restricted Gaming Funds	71,608	59,376
Investment Account(s)	105,061	104,841
Funds on Hand / In Transit from Third Parties	12,549	9,029
	<u>\$ 93,671</u>	<u>\$ 199,495</u>
Supplemental Cash Flow Information		
Interest Paid During Year	<u>\$ 4,358</u>	<u>\$ 7,727</u>

See accompanying notes to financial statements

Victoria Conservatory of Music

Notes to Financial Statements
August 31, 2018 and August 31, 2017

1 PURPOSE OF ORGANIZATION

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

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/or in the year in which the related expenses are incurred if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (iii) Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable.
- (iv) Contributions for endowment and investment income thereon are recognized as revenue in the Endowment Fund.
- (v) Gifts in kind are recorded at their estimated fair market value on the date of receipt.
- (vi) The VCM would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. 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 and cash equivalents, 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 \$36,880 (2017 - gains of \$15,199) have been recognized as changes in the Endowment Fund balance in the current year.

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2018 and August 31, 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) Financial Instruments (continued)

The VCM is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate, and manage these risks. The following analysis provides information about the VCM's risk exposure and concentration as of August 31, 2018:

- (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, 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, 2018, portfolio investments of \$356,244 are denominated in US dollars and converted into Canadian dollars. There was no significant change in exposure from the prior year.

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

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

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

	August 31 2018	August 31 2017
Current Debt	\$ 30,000	\$ 325,072
Non-Current Debt	410,000	-
Bank Indebtedness (Overdraft)	82,338	-
	<u>\$ 522,338</u>	<u>\$ 325,072</u>

(E) Tangible Capital Assets

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

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

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

(F) Use of Estimates

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

Victoria Conservatory of Music

Notes to Financial Statements
August 31, 2018 and August 31, 2017

3 ACCOUNTS RECEIVABLE

	August 31 2018	August 31 2017
Student Tuitions	\$ 113,818	\$ 126,818
Events, Grants, Sponsorships, & Administrative	12,654	115,311
Federal GST Rebate	4,453	4,042
Credit Card Processor	3,919	5,385
Allowance for Doubtful Accounts	(5,000)	(5,000)
	<u>\$ 129,844</u>	<u>\$ 246,556</u>

4 DUE FROM (TO) OTHER FUNDS

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

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

5 INTEREST IN TRUSTS

In 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, 2018 is \$100,000.

In December 2017, VCM was established as a 4.17% beneficiary of a testamentary trust. VCM's estimated interest of \$32,000 will be recorded as an asset upon receipt and is expected within the next fiscal year.

In April 2018, VCM was established as a 11.11% beneficiary of a testamentary trust. VCM's estimated interest of \$250,000 will be recorded as an asset upon receipt and is expected within the next two fiscal years.

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

6 LONG-TERM INVESTMENTS

	August 31 2018	August 31 2017
Operating Fund	\$ -	\$ -
Internal Funds	-	-
Endowment Funds	1,382,111	1,624,135
Restricted Funds	125,824	134,000
Total at Fair Market Value	<u>\$ 1,507,935</u>	<u>\$ 1,758,135</u>

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2018 Total	
Fixed Income	\$ -	\$ -	\$ 466,722	\$ 125,824	\$ 592,546	39%
Equity - Canadian	-	-	\$ 585,931	-	585,931	39%
Equity - Foreign	-	-	\$ 329,458	-	329,458	22%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,111</u>	<u>\$ 125,824</u>	<u>\$ 1,507,935</u>	<u>100%</u>

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

Victoria Conservatory of Music

Notes to Financial Statements
August 31, 2018 and August 31, 2017

7 TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	August 31 2018 Net Book Value	August 31 2017 Net Book Value
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319
Building	5,565,961	(3,483,595)	2,082,366	2,178,301
Leasehold Improvements - Westhills location	368,687	(184,097)	184,590	258,328
Leasehold Improvements - Library location	-	-	-	5,811
Computer equipment and software	264,509	(184,685)	79,823	30,570
Furniture and fixtures	316,259	(256,054)	60,205	41,799
Library assets	63,753	(51,535)	12,218	21,140
Musical instruments	1,480,652	(1,039,233)	441,419	443,966
	<u>\$ 8,710,140</u>	<u>\$ (5,199,199)</u>	<u>\$ 3,510,941</u>	<u>\$ 3,630,234</u>

8 DEFERRED REVENUE

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

	August 31 2018	August 31 2017
BC Arts Council	\$ 131,830	\$ 119,500
BC Gaming	71,500	59,300
Camosun Base Funding	187,500	187,500
Capital Region District	55,000	55,000
Lease Inducement	30,229	42,737
Children's Health Foundation of Vancouver Island	20,000	-
NRS Foundation	17,500	17,000
Student Tuitions	208,830	191,527
Student Tuitions - Postsecondary Programs -		
Pedagogy & Literature	2,152	-
Various	24,783	26,742
	<u>\$ 749,324</u>	<u>\$ 699,306</u>

9 DEBT

The VCM has a \$500,000 overdraft facility with the Bank of Montreal of which \$82,338 was used as at August 31, 2018 (August 31, 2017 - \$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 \$450,000 mortgage credit limit, upon which the following two mortgages have been drawn:

The VCM has a \$450,000 mortgage of which \$440,000 is owing on August 31, 2018 (August 31, 2017: previous two mortgages totalling \$325,072). The mortgage bears interest at 3.45% per annum, repayable in monthly blended payments. The loan is due on April 23, 2020, but amortized to June 30, 2033. Management expects to renew this mortgage upon maturity on April 23, 2020.

Principal repayment terms are approximately:

2018-2019	\$ 30,000
2019-2020	410,000
	<u>440,000</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, 2018 and August 31, 2017

10 HELD IN TRUST

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

		August 31, 2018		August 31, 2017	
	Share of Fund	Fund Balance Designated to VCM	Endowment Distributions Received	Fund Balance Designated to VCM	Endowment Distributions Received
Victoria Foundation					
Victoria Conservatory of Music Fund	100%	\$ 3,259,302	\$ 91,808	\$ 2,762,780	\$ 85,492
Van Hall Fund for the Arts	100%	789,269	30,000	764,163	25,000
Goolden Fund	100%	395,674	14,182	377,601	13,600
Eric Charman Young Musicians Bursary Fund	100%	308,628	-	-	-
Frederick William Kischell Bursary Fund	100%	155,940	5,790	148,797	5,606
Richard Margison Fund for Opera Studio	100%	64,244	2,300	61,291	2,205
Joan C. McCarter Foundation	Partial	3,176,508	2,294	n/a	874
Aline and Norman Fowlow Fund	Partial	199,474	6,921	n/a	6,801
Thomas Mayne Fund	Partial	101,900	-	n/a	-
Elizabeth McPherson Fund for the Arts	Partial	41,943	1,441	n/a	1,371
Norval Schroeder Fund	Partial	35,526	1,322	n/a	1,280
Bayberry Fund	Partial	20,347	420	n/a	272
Sandra and David Goodwin Fund	Partial	19,484	-	n/a	-
Randy Diamond & Dree Thomson- Diamond Fund	Partial	5,072	132	n/a	119
		8,573,311	156,610	4,114,632	142,620
Vancouver Foundation (FMV as at June 30th)					
Victoria Conservatory of Music Endowment Fund	100%	262,671	9,567	258,185	9,133
		\$ 8,835,982	\$ 166,177	\$ 4,372,817	\$ 151,753

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 leased an adjacent building for its library. The lease was terminated effective August 31, 2018. Annual rent payments were \$32,760 for 2017-2018. 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
2018-2019	68,589	18,583	\$ 87,172
2019-2020	70,200	18,583	\$ 88,783
2020-2021	29,530	18,583	\$ 48,113
	\$ 168,319	\$ 55,749	\$ 224,068

Victoria Conservatory of Music

Notes to Financial Statements
August 31, 2018 and August 31, 2017

12 TUITIONS REVENUE

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

	August 31 2018	August 31 2017
Collegium Program	\$ 115,871	\$ 98,582
Community Programs	2,055,360	1,971,910
Music Therapy & Wellness Programs	504,185	449,807
Postsecondary Programs - Camosun	547,874	551,321
Postsecondary Programs - Pedagogy & Literature	10,169	-
	<u>\$ 3,233,458</u>	<u>\$ 3,071,620</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 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 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. This program was under reconstruction in 2016/17 and resumed in 2017/18.

13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 29% (2017 - 36%) of total revenues. All other revenues are considered earned income and represent 71% (2017 - 64%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2018	August 31 2017
Individual Donors	\$ 290,425	\$ -	\$ 110,545	\$ (51,573)	\$ 30,238	\$ 379,635	\$ 688,691
Fundraising Events	81,774	-	-	-	-	81,774	65,241
Foundations/Grants	318,741	-	2,464	90,314	33,100	444,619	419,839
Endowment Distributions	84,483	-	-	45,904	35,790	166,177	151,753
Corporate Donors & Sponsors	151,728	-	-	2,000	-	153,728	158,818
Government Grants							
Provincial - BC Arts Council - Operating Grants	97,000	-	-	-	-	97,000	97,000
Provincial - BC Arts Council - Project Grants	25,670	-	-	-	-	25,670	18,505
Provincial - BC Gaming	59,300	-	-	-	-	59,300	85,000
Provincial	-	-	-	-	-	-	200,000
Federal	3,500	-	-	-	-	3,500	3,600
Municipal - CRD	55,000	-	-	-	-	55,000	55,000
Municipal - City of Victoria	8,000	-	-	-	-	8,000	7,625
Municipal - City of Langford	1,000	-	-	-	-	1,000	-
Donations-in-kind	(153)	-	-	-	-	(153)	-
50th Anniversary Campaign	10,000	-	-	-	-	10,000	63,600
	<u>\$ 1,186,469</u>	<u>\$ -</u>	<u>\$ 113,009</u>	<u>\$ 86,645</u>	<u>\$ 99,128</u>	<u>\$ 1,485,250</u>	<u>\$ 2,014,672</u>

Victoria Conservatory of Music

Notes to Financial Statements
August 31, 2018 and August 31, 2017

14 TRANSFERS

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

August 31, 2017					
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (41,396)	\$ -	\$ 41,396	\$ -	\$ -
Capital Asset Purchases	(36,443)	(6,105)	45,725	-	(3,178)
Program/Department Specific Funding	(46,611)	46,611	-	-	-
Withdraw Campaign Funds to cover loss on Art	16,616	(16,616)	-	-	-
Other Transfers	1,063	-	-	(2,028)	965
	\$ (106,771)	\$ 23,890	\$ 87,121	\$ (2,028)	\$ (2,213)

15 INTERNAL FUND

	August 31 2018	August 31 2017
Working Capital	\$ 126,136	\$ 176,466
Building	31,180	31,180
	\$ 157,316	\$ 207,645

The two internal funds were drawn down in 2017-2018 to fund some instrument purchases, to use 50th funds to cover Westhills start-up costs, to fund extra staffing in the Library, and to fund Music Outreach programs in Elementary Schools.

The August 31, 2018 balance of the Working Capital fund includes remaining 50th campaign funds held to cover Westhills start-up costs, as well as Music Wellness and Music Outreach funds held to run these programs in the next academic year.

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

16 REMUNERATION DISCLOSURE

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

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

During the year, VCM paid \$1,166,140 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 \$467,540 from the Endowment Fund to be held in trust with the Victoria Foundation. A \$200,000 transfer of funds was completed September 27, 2018. A \$267,540 transfer of funds was completed November 27, 2018.