

VICTORIA CONSERVATORY OF MUSIC

Financial Statements

Year ended August 31, 2022

VICTORIA CONSERVATORY OF MUSIC
Index to Financial Statements
Year Ended August 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statements of Cash Flow	5
Notes to Financial Statements	6 - 16

Independent Auditors' Report

To the Members of Victoria Conservatory of Music

Opinion

We have audited the financial statements of Victoria Conservatory of Music (the "VCM"), which comprise the statement of financial position as at August 31, 2022, and the statements of revenues and expenditures, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Victoria Conservatory of Music as at August 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the VCM in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VCM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the VCM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the VCM to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian Accounting Standards for Not-for-Profit Organizations have been applied on a consistent basis.

Victoria, Canada
November 30, 2022



Chartered Professional Accountants

Victoria Conservatory of Music

Statements of Financial Position

August 31, 2022 and August 31, 2021

						August 31 2022	August 31 2021
	Operating Fund	Internal Fund (note 15)	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
ASSETS							
CURRENT							
Cash & Cash Equivalents	\$ 1,070,192	\$ 642,354	\$ -	\$ 27,013	\$ 63,143	\$ 1,802,702	\$ 1,187,807
Accounts Receivable (note 3)	176,499	-	111,939	-	-	288,438	147,919
Prepaid Expenses & Deposits	77,938	-	106,835	-	-	184,773	67,256
Inventory	5,278	-	-	-	-	5,278	5,331
Due From (To) Other Funds (note 4)	(73,800)	135,436	(102,457)	25,906	14,916	-	-
	\$ 1,256,107	\$ 777,789	\$ 116,317	\$ 52,919	\$ 78,060	\$ 2,281,192	\$ 1,408,313
NON-CURRENT							
Long Term Investments (note 6)	\$ -	\$ 612,800	\$ -	\$ 1,098,428	\$ 86,300	\$ 1,797,528	\$ 2,524,147
Tangible Capital Assets (note 7)	-	-	3,097,795	-	-	3,097,795	3,231,453
Due From (To) Other Funds (note 4)	50,000	-	(50,000)	-	-	-	-
	\$ 1,306,107	\$ 1,390,589	\$ 3,164,112	\$ 1,151,346	\$ 164,360	\$ 7,176,514	\$ 7,163,913
LIABILITIES							
CURRENT							
Accounts Payable & Accrued Liabilities	\$ 344,726	\$ -	\$ -	\$ -	\$ -	\$ 344,726	\$ 299,758
Customer & Student Deposits Held	124,317	-	-	-	-	124,317	162,386
Deferred Revenue (note 8)	638,870	-	-	-	-	638,870	628,897
Debt (note 9)	-	-	194,293	-	-	194,293	350,000
	\$ 1,107,913	\$ -	\$ 194,293	\$ -	\$ -	\$ 1,302,206	1,441,041
FUND BALANCES							
Unrestricted	\$ 198,195	\$ -	\$ -	\$ -	\$ -	\$ 198,195	\$ 92,439
Internally Restricted	-	1,390,589	-	-	-	1,390,589	1,283,425
Invested in Capital Assets	-	-	2,969,819	-	-	2,969,819	3,001,075
Externally Restricted	-	-	-	1,151,346	164,360	1,315,706	1,345,934
	\$ 198,195	\$ 1,390,589	\$ 2,969,819	\$ 1,151,346	\$ 164,360	\$ 5,874,309	\$ 5,722,872
	\$ 1,306,107	\$ 1,390,589	\$ 3,164,112	\$ 1,151,346	\$ 164,360	\$ 7,176,514	\$ 7,163,913

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, 2022 and August 31, 2021

						August 31 2022	August 31 2021
	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	Total	Total
REVENUE							
Tuitions (note 12)	\$ 2,964,785	\$ -	\$ -	\$ -	\$ -	\$ 2,964,785	\$ 2,888,924
Fees & Other Income	52,248	-	-	-	-	52,248	47,500
Investment Income (note 6)	-	10,503	-	34,759	144	45,406	25,756
Facilities & Events	114,326	-	-	-	-	114,326	54,009
Total Earned Revenue	\$ 3,131,358	\$ 10,503	\$ -	\$ 34,759	\$ 144	\$ 3,176,764	\$ 3,016,188
Fundraising (note 13)	\$ 1,962,971	\$ 65	\$ 234,141	\$ 232,240	\$ 88,162	\$ 2,517,579	\$ 4,844,596
Federal Emergency Subsidies	14,013	-	-	-	-	14,013	336,077
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	800
Unrealized Gain (Loss) on Investments (note 6)	-	-	-	(111,411)	-	(111,411)	135,717
	\$ 5,108,342	\$ 10,568	\$ 234,141	\$ 155,588	\$ 88,306	\$ 5,596,945	\$ 8,333,378
EXPENSES							
Wages & Benefits	\$ 4,130,486	\$ -	\$ -	\$ -	\$ -	\$ 4,130,486	\$ 4,104,477
Program Costs	40,875	-	-	-	991	41,866	33,705
Administration	132,000	-	10,923	13,421	-	156,344	120,274
Marketing	37,775	-	-	-	-	37,775	29,987
Fundraising	85,163	-	-	-	-	85,163	11,322
Events	88,327	-	-	-	-	88,327	45,790
Facilities	349,527	-	-	-	-	349,527	300,704
Scholarships & Bursaries	-	-	-	124,698	75,800	200,498	222,318
Amortization	-	-	330,790	-	-	330,790	343,186
	\$ 4,864,153	\$ -	\$ 341,713	\$ 138,119	\$ 76,791	\$ 5,420,776	\$ 5,211,764
Excess (Deficiency) of Revenues over Expenses	\$ 244,188	\$ 10,568	\$ (107,572)	\$ 17,469	\$ 11,515	\$ 176,169	\$ 3,121,614
Transfers to Third Party Endowment Funds (note 10)	-	-	-	(24,732)	-	(24,732)	(998,695)
Transfers (note 14)	(138,433)	96,597	76,316	(26,392)	(8,088)	-	-
Net Change For The Year	\$ 105,756	\$ 107,165	\$ (31,256)	\$ (33,655)	\$ 3,427	\$ 151,436	\$ 2,122,919
Fund Balances, Beginning of Period	92,439	1,283,425	3,001,075	1,185,001	160,932	5,722,872	3,599,953
Fund Balances, End of Period	\$ 198,195	\$ 1,390,589	\$ 2,969,819	\$ 1,151,346	\$ 164,360	\$ 5,874,309	\$ 5,722,872

See accompanying notes to financial statements

Victoria Conservatory of Music

Statements of Cash Flow

Years Ended August 31, 2022 and August 31, 2021

	August 31 2022	August 31 2021
Cash Provided by (Used in):		
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues over Expenses	\$ 176,169	\$ 3,121,614
Items not involving cash:		
Amortization of Capital Assets	330,790	343,186
Donations of Capital Assets	(9,894)	(29,950)
Gain on Sale of Assets	-	(800)
Donations of Long Term Investments	(59,439)	(82,570)
Realized (Gain) Loss on Investments	(5,621)	3,530
Unrealized (Gain) Loss on Investments	111,411	(135,717)
Changes in Non-Cash Working Capital:		
Accounts Receivable	(140,520)	17,841
Prepaid Expenses	(117,517)	(6,250)
Inventory	53	253
Accounts Payable & Accrued Liabilities	44,969	(131,229)
Customer & Student Deposits Held	(38,070)	(3,102)
Deferred Revenue	9,973	(21,690)
Cash Flow from Operating Activities	\$ 302,303	\$ 3,075,117
INVESTING ACTIVITIES		
Purchase of Capital Assets	\$ (187,237)	\$ (126,277)
Sale of Capital Assets	-	800
Purchase of Long Term Investments	(923,974)	(1,638,175)
Sale of Long Term Investments	1,604,242	491,809
Transfers to Third Party Endowment Funds	(24,732)	(998,695)
Cash Flow from (used by) Investing Activities	\$ 468,299	\$ (2,270,539)
FINANCING ACTIVITIES		
New Mortgage Borrowing	-	-
Repayment of Debt	\$ (155,707)	\$ (30,000)
Cash Flow from (used by) Financing Activities	\$ (155,707)	\$ (30,000)
INCREASE (DECREASE) IN CASH FLOW	\$ 614,895	\$ 774,579
Cash & Cash Equivalents - Beginning of Year	1,187,807	413,228
Cash & Cash Equivalents - End of Year	\$ 1,802,702	\$ 1,187,807
REPRESENTED BY:		
Cash in Operating & Chequing Accounts	\$ 964,654	\$ 985,163
Restricted Gaming Funds	96,309	95,121
Investment Account(s)	732,510	95,870
Funds on Hand / In Transit from Third Parties	9,229	11,654
	\$ 1,802,702	\$ 1,187,807
Supplemental Cash Flow Information		
Interest Paid During Year	\$ 10,923	\$ 12,326

See accompanying notes to financial statements

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

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 inspire, nurture and enrich lives through excellence in music education, performance and wellness.

2 SIGNIFICANT ACCOUNTING POLICIES

The VCM follows Canadian accounting standards for not-for-profit organizations (ASNPO), which are part of Canadian Generally Accepted Accounting Principles.

(A) Fund Accounting

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

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

(B) Revenue Recognition

VCM follows the restricted fund method of accounting.

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

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

2 SIGNIFICANT ACCOUNTING POLICIES

(continued)

(C) Cash & Cash Equivalents

Cash and Cash Equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. 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 consist of accounts receivable, investments, accounts payable and accrued liabilities, deferred revenue, and debt. The VCM initially records accounts receivable and investments at fair value. In subsequent periods, investments in actively traded markets are reported at fair value, with unrealized gains and losses reported in income. Accounts payable and accrued liabilities, debt, and deferred revenues are measured at amortized cost.

Unrealized losses of \$111,411 (2021 - gains of \$135,717) 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, 2022:

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at August 31, 2022, portfolio investments of \$205,309 (USD) and a USD bank account of \$19,900 (USD) are denominated in US dollars and converted into Canadian dollars. There was no significant change in exposure from the prior year.

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

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

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

2 SIGNIFICANT ACCOUNTING POLICIES

(continued)

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

	August 31 2022	August 31 2021
Current Debt	\$ 194,293	\$ 350,000
Bank Indebtedness (Overdraft)	-	-
	\$ 194,293	\$ 350,000

(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 & software	4 years	Straight-line method
Furniture & 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, 2022 and August 31, 2021

3 ACCOUNTS RECEIVABLE

	August 31 2022	August 31 2021
Student Tuitions	\$ 142,651	\$ 116,630
Events, Grants, Sponsorships, & Administrative	150,866	38,369
Federal GST Rebate	5,921	2,327
Credit Card Processor	-	1,592
Allowance for Doubtful Accounts	(11,000)	(11,000)
	\$ 288,438	\$ 147,919

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 \$50,000 to the Capital Fund to make a bulk payment on the Debt in June 2022.

5 INTEREST IN TRUSTS

In January 2019, the VCM was established as both a defined and a 50% beneficiary of a testamentary trust. VCM's estimated remaining interest of \$25,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

In June 2021, the VCM was established as a 4.6375% beneficiary of a testamentary trust. VCM's estimated interest of \$270,243 will be recorded as an asset upon receipt on November 18, 2022. The final distribution's estimated interest of \$3,000 will be recorded as an asset upon receipt and is expected over the next two fiscal years.

In June 2021, the VCM was established as a 33.33% beneficiary of a testamentary trust. The will is now being contested and the outcome is uncertain at this time. VCM's estimated interest of \$440,000, excluding any reductions due to variations, will be recorded as an asset upon receipt and is expected over the next two fiscal years.

In June 2021, the VCM was established as a 5% beneficiary of a testamentary trust. VCM's estimated interest of \$4,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

In February 2022, the VCM was established as a 3.75% beneficiary of a testamentary trust. VCM's interest of \$13,203 will be recorded as an asset upon receipt on September 20, 2022.

In April 2022, the VCM was established as a defined beneficiary of a testamentary trust. VCM's interest of \$3,000 will be recorded as an asset upon receipt on November 07, 2022.

In May 2022, the VCM was established as a defined beneficiary of a testamentary trust. VCM's interest of \$10,000 will be recorded as an asset upon receipt and is expected over the next fiscal year.

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

6 LONG-TERM INVESTMENTS

	August 31 2022	August 31 2021
Operating Fund	\$ -	\$ -
Internal Funds	612,800	1,269,668
Endowment Funds	1,098,428	1,171,479
Restricted Funds	86,300	83,000
Total at Fair Market Value	\$ 1,797,528	\$ 2,524,147

Investment by security type is as follows:

	Operating Fund	Internal Fund	Endowment Fund	Restricted Fund	August 31 2022 Total	
Fixed Income	\$ -	\$ 612,800	\$ 367,136	\$ 86,300	\$ 1,066,236	59.3%
Equity - Canadian	-	-	461,941	-	461,941	25.7%
Equity - Foreign	-	-	269,350	-	269,350	15.0%
	\$ -	\$ 612,800	\$ 1,098,428	\$ 86,300	\$ 1,797,528	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 2022 Net Book Value	August 31 2021 Net Book Value
Land	\$ 650,319	\$ -	\$ 650,319	\$ 650,319
Building	6,046,673	(4,065,565)	1,981,109	2,067,372
Leasehold Improvements - Westhills location	373,516	(369,492)	4,024	-
Computer equipment & software	456,062	(343,963)	112,100	121,797
Furniture & fixtures	534,995	(468,340)	66,655	60,809
Library assets	66,482	(65,021)	1,461	754
Musical instruments	1,540,258	(1,258,131)	282,127	330,401
	\$ 9,668,306	\$ (6,570,511)	\$ 3,097,795	\$ 3,231,453

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

8 DEFERRED REVENUE

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

	August 31 2022	August 31 2021
BC Arts Council	\$ 1,788	\$ 10,396
BC Gaming	96,100	95,100
Camosun Base Funding	185,000	185,000
Capital Region District	55,000	55,000
Student Tuitions	239,183	223,050
Postsecondary Teaching Certificate Tuitions	-	-
Various	61,799	60,351
	<u>\$ 638,870</u>	<u>\$ 628,897</u>

9 DEBT

The VCM has a \$500,000 overdraft facility with the Bank of Montreal of which \$nil was used as at August 31, 2022 (August 31, 2021 - \$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 mortgage has been drawn:

The VCM has a \$250,000 mortgage, of which \$194,293 is owing on August 31, 2022 (August 31, 2021: \$350,000). The mortgage is a demand loan and bears interest at at the bank prime lending rate plus 1% percent. The loan is due on demand or can be paid early, but is amortized to June 30, 2035.

Principal repayment terms are approximately:

2022-2023	\$ 194,293
	<u>\$ 194,293</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, 2022 and August 31, 2021

10 FUNDS HELD IN TRUST

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

		August 31, 2022		August 31, 2021	
	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 Operating Fund	100%	\$ 3,168,942	\$ 105,111	\$ 3,297,513	\$ 76,027
Victoria Conservatory of Music Scholarship & Bursary Fund	100%	2,083,534	100,935	2,387,411	86,261
Eric & Shirley Charman Young Musicians Bursary Fund	100%	1,590,445	52,979	1,683,018	41,319
Van Hall Fund for the Arts	100%	1,080,775	45,000	1,252,920	40,000
Goolden Fund	100%	378,524	18,449	441,066	23,641
Frederick William Kischell Bursary Fund	100%	151,639	7,412	177,433	6,450
Richard Margison Fund for Opera Studio	100%	62,257	4,314	73,601	2,537
Sisters of Saint Ann Young Musicians Fund	100%	24,583	1,201	28,648	1,045
Joan C. McCarter Foundation	Partial %	3,318,491	133,294	3,843,390	107,905
Aline and Norman Fowlow Fund	Partial %	198,026	7,991	228,743	7,519
Thomas Mayne Fund	Partial %	111,998	5,046	130,073	4,189
Sandra and David Goodwin Fund	Partial %	68,327	1,722	73,048	1,069
Elizabeth McPherson Fund for the Arts	Partial %	41,581	1,673	48,082	1,576
Norval Schroeder Fund	Partial %	34,494	1,685	40,197	1,469
Bayberry Fund	Partial %	47,873	1,542	54,951	935
Randy Diamond & Dree Thomson-Diamond Fund	Partial %	5,168	206	5,967	187
Michael & Anne Tyler Fund	Set distribution	N/A	1,000	N/A	1,000
		\$ 12,366,658	\$ 489,559	\$ 13,766,059	\$ 403,127
Vancouver Foundation (FMV as at June 30th)					
Victoria Conservatory of Music Endowment Fund	100%	261,742	11,637	293,437	10,453
		\$ 12,628,400	\$ 501,196	\$ 14,059,496	\$ 413,580

Permanent Endowment Funds have been established at the Victoria Foundation and the Vancouver Foundation, 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, 2022 and August 31, 2021

11 COMMITMENTS

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

The VCM renewed its lease upon expiry in January 2021 and entered into a new five year lease agreement for 3,000 sq feet of space in the YM/YWCA building in Langford beginning February 2021 and terminating at the end of January 2026. Lease payments, operating costs, and tax under the current lease are approximately:

	Base Rent	Operating Costs	Total Payments
2022-2023	\$ 69,529	\$ 20,362	\$ 89,891
2023-2024	72,750	20,362	93,112
2024-2025	75,971	20,362	96,333
2025-2026	32,214	8,484	40,698
	<u>\$ 250,464</u>	<u>\$ 69,570</u>	<u>\$ 320,034</u>

12 TUITIONS REVENUE

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

	August 31 2022	August 31 2021
Collegium Program	\$ 87,736	\$ 70,862
Community Programs	1,937,126	1,839,093
Music Therapy & Wellness Programs	364,691	455,513
Postsecondary Programs - Camosun	575,232	523,455
Postsecondary Programs - Teaching Certificate	-	-
	<u>\$ 2,964,785</u>	<u>\$ 2,888,924</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 Teaching Certificate Program is the VCM's own unique one or two-year program resulting in a Certificate of and/or Advanced Certificate of Music Teaching designed to help aspiring and practicing music teachers to develop the professional skills necessary to teach.

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 45% (2021 - 58%) of total revenues. All other revenues are considered earned income and represent 55% (2021 - 42%) of total revenues.

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund	August 31 2022	August 31 2021
Individual Donors	\$ 603,370	\$ 65	\$ 29,863	\$ 53,125	\$ 18,650	\$ 705,073	\$ 3,427,771
Fundraising Events	75,500	-	-	-	-	75,500	-
Foundations/Grants	432,598	-	204,278	24,000	11,850	672,726	324,506
Endowment Distributions	293,669	-	-	155,115	52,412	501,196	413,580
Corporate Donors & Sponsors	108,457	-	-	-	5,250	113,707	52,500
Government Grants							
Federal - Canadian Heritage Grant	125,000	-	-	-	-	125,000	-
Federal - Festival Grant	6,800	-	-	-	-	6,800	11,900
Provincial - BC Arts Council - Operating Grants	150,000	-	-	-	-	150,000	426,500
Provincial - BC Arts Council - Project Grants	8,608	-	-	-	-	8,608	44,001
Provincial - Lt. Governor Award	7,000	-	-	-	-	7,000	-
Provincial - BC Gaming	90,700	-	-	-	-	90,700	71,500
Provincial - Other	219	-	-	-	-	219	5,162
Municipal - CRD	55,000	-	-	-	-	55,000	55,000
Municipal - City of Victoria	3,850	-	-	-	-	3,850	12,175
Municipal - City of Langford	2,000	-	-	-	-	2,000	-
Donations In-kind	200	-	-	-	-	200	-
	\$ 1,962,971	\$ 65	\$ 234,141	\$ 232,240	\$ 88,162	\$ 2,517,579	\$ 4,844,596

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

14 TRANSFERS

August 31, 2022

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (36,630)	\$ -	\$ 36,630	\$ -	\$ -
Donor Directed Funding	(96,597)	96,597	-	-	-
Capital Asset Purchases	(33,597)	-	39,686	-	(6,088)
Endowment Fund Administration Fees	26,392	-	-	(26,392)	-
Other Transfers	2,000	-	-	-	(2,000)
	\$ (138,433)	\$ 96,597	\$ 76,316	\$ (26,392)	\$ (8,088)

August 31, 2021

	Operating Fund	Internal Fund	Capital Asset Fund	Endowment Fund	Restricted Fund
Debt Payments	\$ (42,326)	\$ -	\$ 42,326	\$ -	\$ -
Donor Directed Funding	(1,226,829)	1,226,829	-	-	-
Capital Asset Purchases	(42,078)	-	49,078	-	(7,000)
Endowment Fund Administration Fees	27,839	-	-	(27,839)	-
Bequest Revenue contributed to Endowment Funds	(800,000)			800,000	
Settle Interfund Mortgage Loan	(81,700)		81,700		
Other Transfers	7,000	-	-	-	(7,000)
	\$ (2,158,093)	\$ 1,226,829	\$ 173,103	\$ 772,161	\$ (14,000)

15 INTERNAL FUND

August 31 2022

August 31 2021

Working Capital	\$ 634,536	\$ 533,425
Building	756,054	750,000
	\$ 1,390,589	\$ 1,283,425

The Working Capital internal funds were drawn down in 2021-2022 to fund the Pacific Baroque Festival, to fund Music Outreach programs, and to use the remaining 50th campaign funds to cover the Westhills deficit. Additional contributions of \$130,000 were set aside from a donation for future School of Contemporary Music initiatives, as well as \$13,750 from a corporate donor for Music Wellness programs. Lastly, interest is accumulating.

The August 31, 2022 balance of the Working Capital fund includes funds set aside as general working capital to buffer cash flow needs or cover future deficits, to fund future School of Contemporary Music initiatives, Music Outreach & Wellness funds held to run these programs in upcoming academic years, as well as funds to carryforward to the 2023 Pacific Baroque Festival.

The August 31, 2022 balance of the Building fund includes funds set aside for major future capital projects.

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2022 and August 31, 2021

16 REMUNERATION DISCLOSURE

The British Columbia Societies Act includes a requirement, under section 36, to disclose the remuneration paid to all directors, the ten highest paid employees, and all contractors who are paid at least \$75,000 annually.

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

During the year, the VCM paid \$1,213,182 [2021: \$1,221,130] 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 COVID-19 IMPACT ON OPERATIONS

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

Management responded to the pandemic through applying for various government wage and rent subsidies, implementing working from home arrangements for some administrative staff, restricting building access to the public, and adopting a digital delivery model for some classes. Management believes that the pandemic has had a material negative effect on the VCM's revenues, however the losses have been supplemented by various government subsidies received.

The financial position and results of operations as of, and for the years ended, August 31, 2022 and August 31, 2021 have captured the impact of these events. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the VCM for future periods.

18 SUBSEQUENT EVENT

Subsequent to year end, the VCM transferred \$350,000 from the Endowment Fund to Victoria Foundation on September 29, 2022, as a contribution to the Victoria Conservatory of Music Scholarships & Bursaries Fund at the Victoria Foundation.
