

VICTORIA CONSERVATORY OF MUSIC

Financial Statements

Year ended August 31, 2023

VICTORIA CONSERVATORY OF MUSIC
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Year Ended August 31, 2023

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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, 2023, 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, 2023, 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 29, 2023



Chartered Professional Accountants

Victoria Conservatory of Music

Statements of Financial Position
August 31, 2023 and August 31, 2022

| | | | | | | August 31 2023 | August 31 2022 |
|--|-------------------|-------------------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|
| | Operating Fund | Internal Fund (note 15) | Capital Asset Fund | Endowment Fund | Restricted Fund | Total | Total |
| ASSETS | | | | | | | |
| CURRENT | | | | | | | |
| Cash & Cash Equivalents | \$ 1,177,729 | \$ 761,092 | \$ - | \$ 25,933 | \$ 53,100 | \$ 2,017,853 | \$ 1,802,702 |
| Accounts Receivable (note 3) | 147,656 | - | - | - | - | 147,656 | 288,438 |
| Prepaid Expenses & Deposits | 74,693 | - | 106,835 | - | - | 181,528 | 184,773 |
| Inventory | 5,579 | - | - | - | - | 5,579 | 5,278 |
| Due From (To) Other Funds (note 4) | (173,888) | 151,766 | 15,904 | (12,160) | 18,378 | - | - |
| | \$ 1,231,770 | \$ 912,858 | \$ 122,739 | \$ 13,772 | \$ 71,478 | \$ 2,352,617 | \$ 2,281,192 |
| NON-CURRENT | | | | | | | |
| Long Term Investments (note 6) | \$ - | \$ 518,200 | \$ - | \$ 687,375 | \$ 96,900 | \$ 1,302,475 | \$ 1,797,528 |
| Tangible Capital Assets (note 7) | - | - | 2,998,634 | - | - | 2,998,634 | 3,097,795 |
| Due From (To) Other Funds (note 4) | 100,000 | - | (100,000) | - | - | - | - |
| | \$ 1,331,770 | \$ 1,431,058 | \$ 3,021,374 | \$ 701,147 | \$ 168,378 | \$ 6,653,726 | \$ 7,176,514 |
| LIABILITIES | | | | | | | |
| CURRENT | | | | | | | |
| Accounts Payable & Accrued Liabilities | \$ 250,050 | \$ - | \$ - | \$ - | \$ - | \$ 250,050 | \$ 344,726 |
| Customer & Student Deposits Held | 120,933 | - | - | - | - | 120,933 | 124,317 |
| Deferred Revenue (note 8) | 630,202 | - | - | - | - | 630,202 | 638,870 |
| Debt (note 9) | - | - | 131,112 | - | - | 131,112 | 194,293 |
| | \$ 1,001,186 | \$ - | \$ 131,112 | \$ - | \$ - | \$ 1,132,298 | \$ 1,302,206 |
| FUND BALANCES | | | | | | | |
| Unrestricted | \$ 330,584 | \$ - | \$ - | \$ - | \$ - | \$ 330,584 | \$ 198,195 |
| Internally Restricted | - | 1,431,058 | - | - | - | 1,431,058 | 1,390,589 |
| Invested in Capital Assets | - | - | 2,890,262 | - | - | 2,890,262 | 2,969,819 |
| Externally Restricted | - | - | - | 701,147 | 168,378 | 869,525 | 1,315,706 |
| | \$ 330,584 | \$ 1,431,058 | \$ 2,890,262 | \$ 701,147 | \$ 168,378 | \$ 5,521,428 | \$ 5,874,309 |
| | \$ 1,331,770 | \$ 1,431,058 | \$ 3,021,374 | \$ 701,147 | \$ 168,378 | \$ 6,653,726 | \$ 7,176,514 |

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, 2023 and August 31, 2022

| | | | | | | August 31 2023 | August 31 2022 |
|--|-------------------|------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|
| | Operating Fund | Internal Fund | Capital Asset Fund | Endowment Fund | Restricted Fund | Total | Total |
| REVENUE | | | | | | | |
| Tuitions (note 12) | \$ 3,107,069 | \$ - | \$ - | \$ - | \$ - | \$ 3,107,069 | \$ 2,964,785 |
| Fees & Other Income | 117,733 | - | - | - | - | 117,733 | 52,248 |
| Investment Income (note 6) | - | 24,192 | - | 86,075 | 406 | 110,673 | 45,406 |
| Facilities & Events | 177,716 | - | - | - | - | 177,716 | 114,326 |
| Total Earned Revenue | \$ 3,402,519 | \$ 24,192 | \$ - | \$ 86,075 | \$ 406 | \$ 3,513,191 | \$ 3,176,764 |
| Fundraising (note 13) | 1,834,334 | 140 | 178,341 | 484,520 | 107,577 | 2,604,912 | 2,517,579 |
| Federal Emergency Subsidies | - | - | - | - | - | - | 14,013 |
| Gain (Loss) on Sale of Assets | - | - | 1,328 | - | - | 1,328 | - |
| Unrealized Gain (Loss) on Investments (note 6) | - | - | - | (16,826) | - | (16,826) | (111,411) |
| | \$ 5,236,853 | \$ 24,332 | \$ 179,668 | \$ 553,769 | \$ 107,983 | \$ 6,102,604 | \$ 5,596,945 |
| EXPENSES | | | | | | | |
| Wages & Benefits | \$ 4,330,227 | \$ - | \$ - | \$ - | \$ - | \$ 4,330,227 | \$ 4,130,486 |
| Program Costs | 73,535 | - | - | - | 10,755 | 84,290 | 41,866 |
| Administration | 102,316 | - | 11,808 | 10,317 | - | 124,441 | 156,344 |
| Marketing | 56,501 | - | - | - | - | 56,501 | 37,775 |
| Fundraising | 51,973 | - | - | - | - | 51,973 | 85,163 |
| Events | 87,796 | - | - | - | - | 87,796 | 88,327 |
| Facilities | 367,209 | - | - | - | - | 367,209 | 349,527 |
| Scholarships & Bursaries | - | - | - | 206,128 | 91,210 | 297,338 | 200,498 |
| Amortization | - | - | 294,433 | - | - | 294,433 | 330,790 |
| | \$ 5,069,557 | \$ - | \$ 306,241 | \$ 216,445 | \$ 101,965 | \$ 5,694,208 | \$ 5,420,776 |
| Excess (Deficiency) of Revenues over Expenses | 167,296 | 24,332 | (126,573) | 337,323 | 6,018 | 408,396 | 176,169 |
| Transfers to Third Party Endowment Funds (note 10) | - | - | - | (761,277) | - | (761,277) | (24,732) |
| Net Excess (Deficiency) of Revenues over Expenses | \$ 167,296 | \$ 24,332 | \$ (126,573) | \$ (423,953) | \$ 6,018 | \$ (352,880) | \$ 151,436 |
| Interfund Transfers (note 14) | (34,906) | 16,137 | 47,015 | (26,246) | (2,000) | - | - |
| Net Change For The Year | \$ 132,390 | \$ 40,468 | \$ (79,557) | \$ (450,199) | \$ 4,018 | \$ (352,880) | \$ 151,436 |
| Fund Balances, Beginning of Period | 198,195 | 1,390,589 | 2,969,819 | 1,151,346 | 164,360 | 5,874,309 | 5,722,872 |
| Fund Balances, End of Period | \$ 330,584 | \$ 1,431,058 | \$ 2,890,262 | \$ 701,147 | \$ 168,378 | \$ 5,521,428 | \$ 5,874,309 |

See accompanying notes to financial statements

Victoria Conservatory of Music

Statements of Cash Flow
Years Ended August 31, 2023 and August 31, 2022

| | August 31 2023 | August 31 2022 |
|--|---------------------|---------------------|
| Cash Provided by (Used in): | | |
| OPERATING ACTIVITIES | | |
| Excess (Deficiency) of Revenues over Expenses | \$ 408,396 | \$ 176,169 |
| Items not involving cash: | | |
| Amortization of Capital Assets | 294,433 | 330,790 |
| Donations of Capital Assets | (80,565) | (9,894) |
| Gain on Sale of Assets | (1,328) | - |
| Donations of Long Term Investments | (53,541) | (59,439) |
| Realized (Gain) Loss on Investments | (61,962) | (5,621) |
| Unrealized (Gain) Loss on Investments | 16,826 | 111,411 |
| Changes in Non-Cash Working Capital: | | |
| Accounts Receivable | 140,782 | (140,520) |
| Prepaid Expenses | 3,245 | (117,517) |
| Inventory | (301) | 53 |
| Accounts Payable & Accrued Liabilities | (94,676) | 44,969 |
| Customer & Student Deposits Held | (3,383) | (38,070) |
| Deferred Revenue | (8,668) | 9,973 |
| Cash Flow from Operating Activities | \$ 559,259 | \$ 302,303 |
| INVESTING ACTIVITIES | | |
| Purchase of Capital Assets | \$ (115,040) | \$ (187,237) |
| Sale of Capital Assets | 1,660 | - |
| Purchase of Long Term Investments | (916,097) | (923,974) |
| Sale of Long Term Investments | 1,494,247 | 1,604,242 |
| Reclassification of Long Term Investments to Cash | 15,579 | - |
| Transfers to Third Party Endowment Funds | (761,277) | (24,732) |
| Cash Flow from (used by) Investing Activities | \$ (280,927) | \$ 468,299 |
| FINANCING ACTIVITIES | | |
| Repayment of Debt | \$ (63,181) | \$ (155,707) |
| Cash Flow from (used by) Financing Activities | \$ (63,181) | \$ (155,707) |
| INCREASE (DECREASE) IN CASH FLOW | \$ 215,151 | \$ 614,895 |
| Cash & Cash Equivalents - Beginning of Year | 1,802,702 | 1,187,807 |
| Cash & Cash Equivalents - End of Year | \$ 2,017,853 | \$ 1,802,702 |
| REPRESENTED BY: | | |
| Cash in Operating & Chequing Accounts | \$ 1,069,008 | \$ 964,654 |
| Cash in Restricted Gaming Funds Bank Account | 107,104 | 96,309 |
| Cash in Investment Accounts | 840,124 | 732,510 |
| Funds on Hand / In Transit from Third Parties | 1,618 | 9,229 |
| | \$ 2,017,853 | \$ 1,802,702 |
| Supplemental Cash Flow Information | | |
| Interest Paid During Year | \$ 11,808 | \$ 10,923 |

See accompanying notes to financial statements

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2023 and August 31, 2022

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, and annual distributions received for, specific purposes which are restricted by the donor and/or external fund.

(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, 2023 and August 31, 2022

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 and bonds 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 \$16,826 (2022 - losses of \$111,411) 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, 2023:

- (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 most 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, 2023, portfolio investments of \$143,021 (USD) and a USD bank account of \$10,036 (USD) are denominated in US dollars and converted into Canadian dollars. There was a decrease in exposure from the prior year as the VCM reduces its holdings and transfers them to the Victoria Foundation.

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, 2023 and August 31, 2022

2 SIGNIFICANT ACCOUNTING POLICIES

(continued)

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

| | August 31 2023 | August 31 2022 |
|-------------------------------|-------------------|-------------------|
| Current Debt | \$ 131,112 | \$ 194,293 |
| Non-Current Debt | - | - |
| Bank Indebtedness (Overdraft) | - | - |
| | <u>\$ 131,112</u> | <u>\$ 194,293</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 & 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) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes indicates that the carrying amount of an asset may not be recoverable.

An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(G) 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, 2023 and August 31, 2022

3 ACCOUNTS RECEIVABLE

| | August 31 2023 | August 31 2022 |
|--|-------------------|-------------------|
| Student Tuitions | \$ 114,669 | \$ 142,651 |
| Events, Grants, Sponsorships, & Administrative | 21,621 | 150,866 |
| Federal GST Rebate | 3,551 | 5,921 |
| Third Party Payment Processor | 19,314 | - |
| Allowance for Doubtful Accounts | (11,500) | (11,000) |
| | <u>\$ 147,656</u> | <u>\$ 288,438</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 prior bulk mortgage payments.

In order to reduce mortgage interest, the Operating Fund has transferred a total of \$100,000 to the Capital Fund to make bulk payments on the Debt in June 2022 (\$50,000), September 2022 (\$25,000), and June 2023 (\$25,000).

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 33.33% beneficiary of a testamentary trust. In June 2023, all parties agreed to settle a claim against the Estate and VCM's revised interest is now as a 25% beneficiary of a testamentary trust. The VCM's initial distribution of \$345,186 was recorded as an asset upon receipt on November 29, 2023. The remaining estimated interest of approximately \$17,500 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 received the bulk of the gift in September 2022. The VCM's remaining interest of \$376 will be recorded as an asset upon receipt and is expected over the next fiscal year.

In May 2022, the VCM was established as a 60% beneficiary of a testamentary trust. The Will requested that this bequest be used to create a Bursary fund, which will be held in an Endowment Fund. The VCM's initial distribution of \$720,000 was recorded as an asset upon receipt on October 24, 2023. The remaining estimated interest of approximately \$160,000 will be recorded as an asset upon receipt and is expected over the next two fiscal years.

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2023 and August 31, 2022

6 LONG-TERM INVESTMENTS

| | August 31 2023 | August 31 2022 |
|----------------------------|-------------------|-------------------|
| Operating Fund | \$ - | \$ - |
| Internal Funds | 518,200 | 612,800 |
| Endowment Funds | 687,375 | 1,098,428 |
| Restricted Funds | 96,900 | 86,300 |
| Total at Fair Market Value | \$ 1,302,475 | \$ 1,797,528 |

Investment by security type is as follows:

| | Operating Fund | Internal Fund | Endowment Fund | Restricted Fund | August 31 2023 Total | |
|-------------------|-------------------|------------------|-------------------|--------------------|----------------------------|-------|
| Fixed Income | \$ - | \$ 518,200 | \$ 222,755 | \$ 96,900 | \$ 837,855 | 64.3% |
| Equity - Canadian | - | - | \$ 278,775 | - | 278,775 | 21.4% |
| Equity - Foreign | - | - | \$ 185,845 | - | 185,845 | 14.3% |
| | \$ - | \$ 518,200 | \$ 687,375 | \$ 96,900 | \$ 1,302,475 | 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 2023 Net Book Value | August 31 2022 Net Book Value |
|---|--------------|-----------------------------|--|--|
| Land | \$ 650,319 | \$ - | \$ 650,319 | \$ 650,319 |
| Building | 6,085,697 | (4,217,463) | 1,868,234 | 1,981,109 |
| Musical instruments | 1,620,995 | (1,319,549) | 301,446 | 282,127 |
| Leasehold Improvements - Westhills location | 373,516 | (370,699) | 2,817 | 4,024 |
| Furniture & fixtures | 595,002 | (494,448) | 100,554 | 66,655 |
| Computer equipment & software | 464,902 | (390,492) | 74,410 | 112,100 |
| Library assets | 66,482 | (65,628) | 854 | 1,461 |
| | \$ 9,856,913 | \$ (6,858,279) | \$ 2,998,634 | \$ 3,097,795 |

Victoria Conservatory of Music

Notes to Financial Statements

August 31, 2023 and August 31, 2022

8 DEFERRED REVENUE

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

| | August 31 2023 | August 31 2022 |
|---|-------------------|-------------------|
| BC Arts Council | \$ 1,231 | \$ 1,788 |
| BC Gaming | 106,600 | 96,100 |
| Camosun Base Funding | 185,000 | 185,000 |
| Capital Region District | 55,000 | 55,000 |
| Student Tuitions | 206,164 | 239,183 |
| Postsecondary Teaching Certificate Tuitions | - | - |
| Various Grants & Other Items | 76,207 | 61,799 |
| | <u>\$ 630,202</u> | <u>\$ 638,870</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, 2023 (August 31, 2022 - \$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 \$131,112 is owing on August 31, 2023 (August 31, 2022: \$194,293). 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:

| | |
|-----------|-------------------|
| 2023-2024 | \$ 131,112 |
| | <u>\$ 131,112</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, 2023 and August 31, 2022

10 FUNDS HELD IN TRUST

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

| | | <u>August 31, 2023</u> | | <u>August 31, 2022</u> | |
|--|---------------|--------------------------------------|--|--------------------------------------|--|
| | 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% | \$ 3,897,830 | \$ 129,984 | \$ 3,168,942 | \$ 105,111 |
| Victoria Conservatory of Music Scholarships & Bursaries Fund | 100% | 2,620,937 | 108,778 | 2,083,534 | 100,935 |
| Eric & Shirley Charman Young Musicians Bursary Fund | 100% | 1,732,009 | 70,065 | 1,590,445 | 52,979 |
| Van Hall Fund for the Arts | 100% | 1,152,773 | 55,000 | 1,080,775 | 45,000 |
| Roy Barnett VCM Fund | 100% | 413,004 | - | - | - |
| Goolden Fund | 100% | 403,204 | 19,783 | 378,524 | 18,449 |
| Victoria Conservatory of Music - Music Therapy Fund | 100% | 353,331 | - | - | - |
| Frederick William Kischell Bursary Fund | 100% | 161,650 | 7,947 | 151,639 | 7,412 |
| Richard Margison Fund for Opera Studio | 100% | 66,504 | 3,237 | 62,257 | 4,314 |
| Sisters of Saint Ann Young Musicians Fund | 100% | 26,185 | 1,286 | 24,583 | 1,201 |
| Joan C. McCarter Foundation | Partial % | 3,545,288 | 155,814 | 3,318,491 | 133,294 |
| Aline and Norman Fowlow Fund | Partial % | 201,251 | 19,080 | 198,026 | 7,991 |
| Thomas Mayne Fund | Partial % | 119,531 | 5,630 | 111,998 | 5,046 |
| Sandra and David Goodwin Fund | Partial % | 73,819 | 2,566 | 68,327 | 1,722 |
| Elizabeth McPherson Fund for the Arts | Partial % | 44,572 | 1,927 | 41,581 | 1,673 |
| Norval Schroeder Fund | Partial % | 36,741 | 1,805 | 34,494 | 1,685 |
| Bayberry Fund | Partial % | 52,629 | 2,109 | 47,873 | 1,542 |
| Dree Thomson Fund | Partial % | 5,520 | 240 | 5,168 | 206 |
| Michael & Anne Tyler Fund | Partial % | N/A | 1,161 | N/A | 1,000 |
| | | \$ 14,906,776 | \$ 586,410 | \$ 12,366,658 | \$ 489,559 |
| Vancouver Foundation (FMV as at June 30th) | | | | | |
| Victoria Conservatory of Music Endowment Fund | 100% | 276,913 | 12,952 | 261,742 | 11,637 |
| | | \$ 15,183,690 | \$ 599,362 | \$ 12,628,400 | \$ 501,196 |

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.

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Notes to Financial Statements

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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 |
|-----------|-------------------|------------------|-------------------|
| 2023-2024 | \$ 72,750 | \$ 21,910 | \$ 94,660 |
| 2024-2025 | 75,971 | 21,910 | 97,881 |
| 2025-2026 | 32,214 | 9,129 | 41,343 |
| | <u>\$ 180,935</u> | <u>\$ 52,949</u> | <u>\$ 233,884</u> |

12 TUITIONS REVENUE

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

| | August 31 2023 | August 31 2022 |
|---|---------------------|---------------------|
| Collegium Program | \$ 158,002 | \$ 87,736 |
| Community Programs | 1,928,493 | 1,937,126 |
| Music Therapy & Wellness Programs | 424,475 | 364,691 |
| Postsecondary Programs - Camosun | 596,099 | 575,232 |
| Postsecondary Programs - Teaching Certificate | - | - |
| | <u>\$ 3,107,069</u> | <u>\$ 2,964,785</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.

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Notes to Financial Statements

August 31, 2023 and August 31, 2022

13 FUNDRAISING INCOME

Fundraising income represents contributed funding from various sources. These revenues account for 43% (2022 - 45%) of total revenues. All other revenues are considered earned income and represent 57% (2022 - 55%) of total revenues.

| | Operating Fund | Internal Fund | Capital Asset Fund | Endowment Fund | Restricted Fund | August 31 2023 | August 31 2022 |
|---|-------------------|------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|
| Individual Donors | \$ 222,771 | \$ 140 | \$ 95,565 | \$ 287,891 | \$ 13,577 | \$ 619,944 | \$ 705,073 |
| Fundraising Events | 70,485 | - | - | - | 2,502 | 72,987 | 75,500 |
| Foundations/Grants | 341,413 | - | 5,000 | 10,000 | 1,876 | 358,289 | 672,726 |
| Endowment Distributions | 356,286 | - | - | 180,129 | 62,947 | 599,362 | 501,196 |
| Corporate Donors & Sponsors | 68,673 | - | - | 6,500 | 26,675 | 101,848 | 113,707 |
| Government Grants | | | | | | | |
| Federal - Canadian Heritage Grant | - | - | - | - | - | - | 125,000 |
| Federal - Festival Grant | 6,200 | - | - | - | - | 6,200 | 6,800 |
| Provincial - BC Arts Council - Operating Grants | 592,448 | - | - | - | - | 592,448 | 150,000 |
| Provincial - BC Arts Council - Project Grants | 558 | - | 25,705 | - | - | 26,263 | 8,608 |
| Provincial - Lt. Governor Award | - | - | - | - | - | - | 7,000 |
| Provincial - BC Gaming | 96,100 | - | - | - | - | 96,100 | 90,700 |
| Provincial - Other | 3,000 | - | 32,986 | - | - | 35,986 | 219 |
| Municipal - CRD | 55,000 | - | - | - | - | 55,000 | 55,000 |
| Municipal - City of Victoria | 21,400 | - | 19,085 | - | - | 40,485 | 3,850 |
| Municipal - City of Langford | - | - | - | - | - | - | 2,000 |
| Donations In-kind | - | - | - | - | - | - | 200 |
| | \$ 1,834,334 | \$ 140 | \$ 178,341 | \$ 484,520 | \$ 107,577 | \$ 2,604,912 | \$ 2,517,579 |

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Notes to Financial Statements

August 31, 2023 and August 31, 2022

14 INTERFUND TRANSFERS

August 31, 2023

| | Operating Fund | Internal Fund | Capital Asset Fund | Endowment Fund | Restricted Fund |
|------------------------------------|----------------|---------------|--------------------|----------------|-----------------|
| Debt Payments | \$ (24,989) | \$ - | \$ 24,989 | \$ - | \$ - |
| Donor Directed Funding | (16,137) | 16,137 | - | - | - |
| Capital Asset Purchases | (22,027) | - | 22,027 | - | - |
| Endowment Fund Administration Fees | 26,246 | - | - | (26,246) | - |
| Other Transfers | 2,000 | - | - | - | (2,000) |
| | \$ (34,906) | \$ 16,137 | \$ 47,015 | \$ (26,246) | \$ (2,000) |

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) |

15 INTERNAL FUND

| | August 31 2023 | August 31 2022 |
|-----------------|-------------------|-------------------|
| Working Capital | \$ 669,945 | \$ 634,536 |
| Building | 761,113 | 756,054 |
| | \$ 1,431,058 | \$ 1,390,589 |

The Working Capital internal funds were drawn down in 2022-2023 to fund the School of Contemporary Music and a concert. Additional contributions of \$12,100 were set aside from concert proceeds for future ChoirKids initiatives, \$10,000 from the City of Victoria for an upcoming feasibility study, and \$37,500 from a donor for next year's new VCM Postsecondary certificate program. Lastly, interest is accumulating.

The August 31, 2023 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 2024 Pacific Baroque Festival.

The August 31, 2023 balance of the Building fund includes funds set aside for major future capital projects.

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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 \$1,244,619 (2022: \$1,213,182) 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 \$250,000 from the Endowment Fund to Victoria Foundation on September 28, 2023, as a contribution to the Victoria Conservatory of Music Scholarships & Bursaries Fund at the Victoria Foundation.

Subsequent to year end, the VCM will transfer \$705,600, arising from a Bequest received in the Endowment Fund, to Victoria Foundation on November 30, 2023, as a contribution to the Victoria Conservatory of Music Scholarships & Bursaries Fund at the Victoria Foundation.
