

**VICTORIA SYMPHONY SOCIETY  
FINANCIAL STATEMENTS  
MAY 31, 2012**

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*\*practising as a professional corporation*

*"It's not what you earn, it's what you keep!"*

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Victoria Symphony Society

We have audited the accompanying financial statements of Victoria Symphony Society, which comprise the statement of financial position as at May 31, 2012, and the statements of operations, statement of changes in net assets and statement of 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 generally accepted accounting principles 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 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.

### Basis for qualified opinion

In common with many charitable organizations, the Victoria Symphony Society derives a significant portion of its revenues from donations, the completeness of which is not susceptible to audit verification. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the completeness of donation revenue, and we were unable to determine whether any adjustments were necessary.

### Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Victoria Symphony Society as at May 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

### Report on other legal and regulatory requirements

As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

MCINTOSH NORTON WILLIAMS  
certified general accountants



Port Alberni, B.C.  
September 6, 2012

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**Victoria Symphony Society**  
**Summary Statement of Financial Position**  
**As at May 31, 2012**

	2012 \$	2011 \$
<b>ASSETS</b>		
Current		
Cash	518,625	659,127
Accounts receivable	21,165	170,757
Intangible assets	<u>127,739</u>	<u>134,258</u>
	667,529	964,142
Capital assets (Note 4)	<u>201,694</u>	<u>206,586</u>
	<u><u>869,223</u></u>	<u><u>1,170,728</u></u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	84,422	98,355
GST/HST payable	23,361	28,432
Wages and benefits payable	30,557	21,787
Deferred revenue (Note 2e and 6)	<u>873,501</u>	<u>1,172,546</u>
	1,011,841	1,321,120
Deferred contributions (Note 2e)	16,500	18,750
Contingent liabilities (Note 8)	<u>-</u>	<u>-</u>
	<u>1,028,341</u>	<u>1,339,870</u>
<b>NET ASSETS</b>		
Unrestricted - page 2	(357,063)	(369,728)
Invested in capital assets - page 2	<u>197,945</u>	<u>200,586</u>
	<u>(159,118)</u>	<u>(169,142)</u>
	<u><u>869,223</u></u>	<u><u>1,170,728</u></u>
Approved by the Board of Directors		
	Director	
	Director	

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society**  
**Statement of Changes in Net Assets**  
**Year Ended May 31, 2012**

	Invested In Capital Assets \$	Unrestricted \$	Total 2012 \$	Total 2011 \$
Balance, beginning of year	<u>200,586</u>	<u>(369,728)</u>	<u>(169,142)</u>	<u>(184,248)</u>
Net revenue - page 3	-	10,024	<b>10,024</b>	15,106
Amortization of capital assets	(20,888)	20,888	-	-
Amortization of contributed equity	2,250	(2,250)	-	-
Capital asset purchases	<u>15,997</u>	<u>(15,997)</u>	<u>-</u>	<u>-</u>
	<u>(2,641)</u>	<u>12,665</u>	<u>10,024</u>	<u>15,106</u>
Balance, end of year - <i>page 1</i>	<u>197,945</u>	<u>(357,063)</u>	<u>(159,118)</u>	<u>(169,142)</u>

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society  
Statement of Operations  
Year Ended May 31, 2012**

	Actual 2012 \$	Actual 2011 \$
Revenue		
Earned	1,861,111	1,915,144
Donations and fundraising	1,531,608	1,310,909
Grants	<u>1,217,500</u>	<u>1,027,450</u>
	<u>4,610,219</u>	<u>4,253,503</u>
Expense		
Artistic	2,412,926	2,210,881
Production	500,428	466,404
Marketing	326,077	329,130
Box office	150,097	147,148
Renewal campaign	51,767	48,909
Development office	48,730	55,738
Fundraising expenses	269,560	137,644
Administration	<u>840,610</u>	<u>842,543</u>
	<u>4,600,195</u>	<u>4,238,397</u>
Net revenue - page 2	<u>10,024</u>	<u>15,106</u>

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society**  
**Statement of Cash Flows**  
**As at May 31, 2012**

	2012 \$	2011 \$
<b>Operating Activities</b>		
Excess of revenue over expense	10,024	15,106
Amortization	<u>20,888</u>	<u>23,056</u>
	<u>30,912</u>	<u>38,162</u>
<b>Changes in non-cash working capital items</b>		
Accounts receivable	149,594	(88,707)
Intangible assets	6,519	(35,295)
Accounts payable and accrued liabilities	(13,933)	51,087
Wages and benefits payable	8,770	827
HST payable	(5,072)	8,259
Deferred revenue	(299,045)	296,541
Deferred revenue - long term	<u>(2,250)</u>	<u>(4,500)</u>
	<u>(124,505)</u>	<u>266,374</u>
<b>Investing Activities</b>		
Acquisition of capital assets	(15,997)	(16,643)
Increase in working capital reserve	<u>-</u>	<u>11,000</u>
	<u>(15,997)</u>	<u>(5,643)</u>
Change in cash	(140,502)	260,731
Cash - beginning of year	<u>659,127</u>	<u>398,396</u>
Cash - end of year	<u>518,625</u>	<u>659,127</u>

The accompanying notes are an integral part of these statements.

**Victoria Symphony Society**  
**Notes to Financial Statements**  
**May 31, 2012**

**1. Purpose of the Organization**

The Victoria Symphony Society provides orchestral music productions through the operation of the Victoria Symphony Orchestra. The Society is incorporated under the B.C. Society Act as a not-for-profit organization and is a registered charity under the Income Tax Act and, as such, is tax exempt.

**2. Basis of Presentation and Significant Accounting Policies**

- a) The financial statements reflect the assets, liabilities and results of operations of the Society.
- b) Comparative figures, have been reclassified, where applicable, to conform to the current presentation.
- c) Donated assets are recorded at their estimated fair market value at the date of receipt. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at the same amortization rate of the related capital assets.

Capital assets are recorded at cost. Amortization on capital assets is determined at rates which will reduce original cost to estimated salvage value over the useful life of each asset. The annual rates used to compute amortization on a straight-line basis are as follows:

Musical Instruments and equipment	5%
Music library	2.5%
Vehicles	10%
Office equipment and software	20%
Furniture and fixtures	20%
Leasehold improvements	Over the term of the lease

- d) The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets, liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Revenue recognition:

Revenue and expenditures are recognized in accordance with the accrual basis of accounting. The deferral method of accounting is used for season subscription ticket sales and grants. Season subscription ticket sales and grants pertaining to the subsequent year are recorded as deferred revenue and related expenditures are recorded as intangible assets. See also Note 6.



**Victoria Symphony Society**  
**Notes to Financial Statements**  
**May 31, 2012**

**2. Basis of Presentation and Significant Accounting Policies (continued)**

f) Contributed services and contra sponsorships:

The Society annually receives a significant amount of volunteer services and contributed professional and marketing services. To the extent that the fair value can be determined, donated services are recognized in the financial statements. The value of volunteer time is not recorded due to the difficulty in valuing such services.

g) Intangible assets

Costs directly related to the development of the Society's 2013 artistic season are presented as intangible assets as the Society can reliably demonstrate that there is a future economic benefit associated with these costs. The costs will be expensed during the year ended May 31, 2013.

**3. Continuing operations**

The financial statements have been prepared on a going concern basis which assumes the realization of assets and liabilities and commitments in the normal course of operation. During the year ended May 31, 2012, the Society recorded net revenue of \$10,024 (2010-net revenue of \$15,106) The ability of the Society to continue its planned course of action and to recover its investment in capital and other assets is dependent upon the Society being able to generate deficit funding contributions and future profits from operations.

**4. Capital Assets**

	2012		2011	
	Cost \$	Accumulated Amortization \$	Net \$	Net \$
Musical Instruments and equipment	130,626	84,580	<b>46,046</b>	49,019
Music library	210,647	86,059	<b>124,588</b>	122,492
Office equipment and software	189,166	175,901	<b>13,265</b>	11,048
Vehicles	27,421	16,452	<b>10,969</b>	13,711
Furniture and fixtures	19,704	19,553	<b>151</b>	303
Leasehold improvements	<u>42,808</u>	<u>36,133</u>	<u><b>6,675</b></u>	<u>10,013</u>
	<u>620,372</u>	<u>418,678</u>	<u><b>201,694</b></u>	<u>206,586</u>

**5. Artistic expenditures**

Under the terms of its contract with the Victoria Musicians Association, the Society is required to pay a portion of its surplus (as defined in section 4.10.e of the contract), if any, to its musicians. For the year ended May 31, 2012, the amount payable under this section was nil (2011-nil).

**Victoria Symphony Society**  
**Notes to Financial Statements**  
**May 31, 2012**

**6. Deferred revenue**

	2012	2011
	\$	\$
	<u>                    </u>	<u>                    </u>
Opening balance	1,172,546	842,005
Amounts recognized as revenue in the year:		
Subscription sales	(682,581)	(683,942)
Single ticket sales	(49,820)	(53,463)
Grants and donations	<u>(440,145)</u>	<u>(104,600)</u>
Amounts deferred to future years:		
Subscription sales	667,307	682,581
Single ticket sales	52,267	49,820
Grants and donations	<u>153,927</u>	<u>440,145</u>
Ending balance	<u>873,501</u>	<u>1,172,546</u>

**7. Related party**

The Society has an economic interest in the Victoria Symphony Foundation (the Foundation). The Foundation is an independent organization with its own Board of Directors which includes a minimum of three directors from the Board of the Victoria Symphony Society. The purpose of the Foundation is to promote and support the Society and the presentation of symphonic music principally on Vancouver Island, to solicit and accept gifts, contributions and bequests and to administer said funds. The Foundation is a registered charity exempt from income taxes and issues tax deductible receipts. The net assets and results of operations of the Foundation have not been included in these financial statements. During the year ended May 31, 2012 the Society received general donations of \$186,867 (2011-\$216,500) from the Foundation. Also, during the year ended May 31, 2012, the Foundation gave \$20,633 (2011-\$55,000) to the Foundation for Arts Sustainability in Victoria on behalf of the Society.

**8. Subsequent Event**

The Society was named as defendant in certain legal proceedings. The Society actively defended this lawsuit which was settled after May 31, 2012. The amount of the settlement will be included in the Society's expenses during the year ended May 31, 2013.

**Victoria Symphony Society**  
**Notes to Financial Statements**  
**May 31, 2012**

**9. Lease Obligation**

The Society has entered into an operating lease for rental of commercial offices. The total obligation under this lease over the next five years (with an option to renew for another five years) is as follows:

Year	\$
2013	36,000
2014	36,000
2015	36,000
2016	36,000
2017	36,000

**10. Financial Instruments**

The financial instruments of the Society consist of cash, accounts receivable, accounts payable and accrued liabilities, wages and benefits payable. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

**12. Victoria Foundation:**

The Society receives a portion of the distributions from the following endowment funds held at the Victoria Foundation.

	2012	2011
	\$	\$
Leslie & Murray Glazier Victoria Symphony Young Musicians Fund	3,975	1,200
Helen Stuart & Bob Hoogendoorn/Mozart Fund	8,410	7,765
Victoria Symphony Fund - BC Renaissance	2,141	1,958
Robert and Lorraine Peck Fund	1,300	1,150
Floyd Hall Fund for the Arts	2,000	2,000
Robinson Family Fund	2,000	2,500
Donald N. Gain Fund	2,261	2,135
APM Fund for the Arts	620	550
M & A Tyler Fund for the Arts	2,000	-
J & M McEown Fund for the Arts	290	-
	<u>24,997</u>	<u>19,258</u>

