

VANCOUVER RECITAL SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2018

Wolrige Mahon Collins Barrow LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Vancouver Recital Society

We have audited the accompanying financial statements of Vancouver Recital Society which comprise the statement of financial position as at August 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Vancouver Recital Society derives some revenue from voluntary contributions the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Vancouver Recital Society. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, excess of revenue over expenses and cash flows from operating activities for the years ended August 31, 2018 and August 31, 2017, and assets and net assets as at August 31, 2018 and August 31, 2017. Our audit opinion on the financial statements for the year ended August 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vancouver Recital Society as at August 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Wolrige Mahon Collins Barrow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

December 20, 2018
Vancouver, Canada

VANCOUVER RECITAL SOCIETY
(Organized under the Societies Act of British Columbia)

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets			
Cash and cash equivalents - operations fund (note 3)		\$ 800,987	\$ 548,411
- audience development fund		50,000	50,000
- succession planning fund		100,000	---
- special projects and events development fund		98,177	---
Short-term investment		---	86,604
Accounts receivable - operations fund		36,521	24,148
- special projects and events development fund		---	584
Prepaid expenses		<u>16,741</u>	<u>10,827</u>
		1,102,426	720,574
Cash held for succession planning fund		---	100,000
Short-term investment held for special projects and events development fund		---	97,345
Long-term investment - operations fund (note 4)		100,000	---
Capital assets (note 5)		<u>137,417</u>	<u>149,832</u>
		<u>\$ 1,339,843</u>	<u>\$ 1,067,751</u>

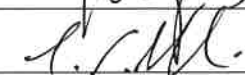
LIABILITIES

Current liabilities			
Accounts payable		\$ 43,877	\$ 33,908
Government remittances payable		8,103	9,473
Deferred subscriptions and ticket sales, grants, sponsorships and other revenue (note 6)		<u>524,493</u>	<u>463,534</u>
		<u>576,473</u>	<u>506,915</u>

NET ASSETS

Operations fund		377,776	163,075
Audience development fund		50,000	50,000
Succession planning fund		100,000	100,000
Special projects and events development fund		98,177	97,929
Capital asset fund		<u>137,417</u>	<u>149,832</u>
		<u>763,370</u>	<u>560,836</u>
		<u>\$ 1,339,843</u>	<u>\$ 1,067,751</u>

Approved by the Directors


 _____, Director

 _____, Director

See accompanying notes to the financial statements.

VANCOUVER RECITAL SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue		
Subscriptions and ticket sales	\$ 384,690	\$ 460,833
Community gaming grant	22,500	22,500
Grants and donations - Foundations	190,846	260,260
Grants - Government	33,509	51,246
Sponsorships	<u>103,000</u>	<u>101,500</u>
	<u>734,545</u>	<u>896,339</u>
Allocated concert expenses		
Artists' fees, travel and accommodation	269,600	408,025
Commissions on ticket sales	10,869	14,850
Marketing and publicity	119,994	152,676
Other production costs	41,880	67,315
Theatre rent	<u>64,967</u>	<u>72,280</u>
	<u>507,310</u>	<u>715,146</u>
	227,235	181,193
Other income		
CD and book sales, net (loss)	(794)	268
Donations revenue	413,016	310,270
Foreign exchange gain (loss)	30,753	(18,511)
Interest and miscellaneous	12,563	3,778
Special events, net	1,228	318
Vancouver Foundation distribution (note 7)	<u>17,213</u>	<u>16,502</u>
Contribution towards unallocated production and other expenses	<u>701,214</u>	<u>493,818</u>
Unallocated production and other expenses		
Amortization	12,415	13,708
Wages and consulting fees	369,151	317,716
Fundraising costs	3,077	5,560
Office and miscellaneous	<u>114,037</u>	<u>109,466</u>
	<u>498,680</u>	<u>446,450</u>
Excess of revenue over expenses for the year	<u>\$ 202,534</u>	<u>\$ 47,368</u>

See accompanying notes to the financial statements.

VANCOUVER RECITAL SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Operations Fund</u>	<u>Audience Development Fund</u>	<u>Succession Planning Fund</u>	<u>Special Projects and Events Development Fund</u>	<u>Capital Asset Fund</u>	<u>Total</u>	
						<u>2018</u>	<u>2017</u>
Net assets, beginning of the year	\$ 163,075	\$ 50,000	\$ 100,000	\$ 97,929	\$ 149,832	\$ 560,836	\$ 513,468
Excess (deficiency) of revenue over expenses for the year	<u>214,701</u>	<u>---</u>	<u>---</u>	<u>248</u>	<u>(12,415)</u>	<u>202,534</u>	<u>47,368</u>
Net assets, end of the year	<u>\$ 377,776</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 98,177</u>	<u>\$ 137,417</u>	<u>\$ 763,370</u>	<u>\$ 560,836</u>

See accompanying notes to the financial statements.

VANCOUVER RECITAL SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>
Cash from operating activities		
Excess of revenue over expenses for the year	\$ 202,534	\$ 47,368
Item not involving cash		
Amortization	<u>12,415</u>	<u>13,708</u>
	214,949	61,076
Net change in non-cash working capital balances		
Accounts receivable	(11,789)	(16,412)
Prepaid expenses	(5,914)	3,924
Accounts payable	9,969	4,539
Government remittances payable	(1,370)	4,988
Deferred subscriptions and ticket sales, grants, sponsorships and other revenue, net	<u>60,959</u>	<u>62,503</u>
	<u>266,804</u>	<u>120,618</u>
Cash from (used in) investing activities		
Proceeds from disposition of (acquisition of) short-term investment	86,604	(732)
Decrease in cash held for succession planning fund	100,000	---
Proceeds from disposition of (acquisition of) short-term investment held for special projects and events development fund	97,345	(822)
Acquisition of long-term investment	(100,000)	---
Acquisition of capital assets	<u>---</u>	<u>(6,726)</u>
	<u>183,949</u>	<u>(8,280)</u>
Increase in cash during the year	450,753	112,338
Cash and cash equivalents, beginning of the year	<u>598,411</u>	<u>486,073</u>
Cash and cash equivalents, end of the year	<u>\$ 1,049,164</u>	<u>\$ 598,411</u>
Cash and cash equivalents is presented as follows:		
Operations fund	\$ 800,987	\$ 548,411
Audience development fund	50,000	50,000
Succession planning fund	100,000	---
Special projects and events development fund	<u>98,177</u>	<u>---</u>
	<u>\$ 1,049,164</u>	<u>\$ 598,411</u>

See accompanying notes to the financial statements.

VANCOUVER RECITAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

1. General

Vancouver Recital Society is a registered charitable organization which was incorporated on June 5, 1980. The purpose of the society is to promote and foster musical life in the province of British Columbia. The society presents a recital series from September to May. The society is a registered charity under the Income Tax Act and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

The society's accounting policies and its standards of financial disclosures are in accordance with Canadian accounting standards for not-for-profit organizations.

a) Fund accounting - The society follows the restricted fund method of accounting for contributions. The fund classifications are:

i) Operations fund

The operations fund includes those amounts which pertain to the society's operations. The operations fund absorbs all administrative costs pertaining to the society.

ii) Audience development fund

The audience development fund includes amounts internally restricted by the board of directors for developing new and diverse audiences.

iii) Succession planning fund

The succession planning fund includes amounts internally restricted by the board of directors for developing a plan for succession and a strategic vision for the future of the society.

iv) Special projects and events development fund

The special projects and events development fund includes amounts internally restricted by the board of directors for developing special projects and events.

v) Capital asset fund

The capital asset fund includes the furniture and equipment, and piano recorded on the books of the society as well as proceeds received from the sale of capital assets and donations received for the acquisition of capital assets.

VANCOUVER RECITAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

2. Summary of significant accounting policies - continued

- b) Financial instruments - All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at cost or amortized cost using the effective interest method. Financial assets measured at cost or amortized cost include cash and cash equivalents, accounts receivable and long-term investment. Financial liabilities measured at cost or amortized cost include accounts payable. Financial assets are tested for impairment at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in the statement of operations. A reversal may be recorded provided the carrying amount does not exceed original cost. The amount of a reversal, if any, is recognized, in the statement of operations.
- c) Cash and cash equivalents - Cash and cash equivalents include cash on account and investments in short-term deposits that have maturities or are redeemable within ninety days of acquisition.
- d) Capital assets - With effect from September 1, 1995 capital assets are recorded at cost and amortization is provided by the following methods at the following annual rates:

Furniture and equipment	- 20% and 30% declining balance method
Piano	- 5% declining balance method

Amortization expense is recorded in the capital asset fund.

- e) Revenue recognition - Revenues are recorded when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Subscriptions and ticket sales, grants, sponsorships and other revenue which relate to activities of a subsequent year, are reflected as deferred revenue at year-end. Restricted contributions to the operations fund are recognized as revenue in the year in which the related expenses are incurred.
- f) Contributed services and materials - Donated services and materials are not recorded except for artists' fees and theatre rent paid by other organizations, where the fair value can be reasonably estimated, which are reflected as grants revenue with a corresponding charge recorded as artists' fees or theatre rent, as applicable.
- g) Expenses - Expenses are recorded when incurred on an accrual basis.
- h) Foreign currency translation - The society follows the temporal method of translation whereby monetary assets and liabilities are translated at the exchange rate in effect at the fiscal year end, non-monetary items are translated at historical exchange rates, and revenue and expenses are translated at the exchange rate in effect at the time the revenue is earned or the expense is incurred. Translation gains and losses are included in the statement of operations.

VANCOUVER RECITAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

2. Summary of significant accounting policies - continued

- i) Use of estimates - The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and cash equivalents

Included in cash and cash equivalents – operations fund is approximately \$22,600 (2017 - \$22,800) of restricted cash received from a Province of British Columbia Community Gaming Grant. This cash is to be used for the 2019 fiscal year to assist with artist fees, production, marketing and other costs essential to the direct delivery of the program.

4. Long-term investment

Long-term investment is an investment in units of the Vancouver Foundation's Consolidated Trust Fund (the "Fund"). The Fund has transferable terms where the society is able to request a redemption of capital subject to a holding period. In the first year, no access to capital is permitted. During the subsequent four years, the society may request in writing to redeem up to 10% annually (not cumulative). In the fifth year the society may request to redeem all or a portion of the remaining capital. Income earned is allocated to the Fund on a quarterly basis.

5. Capital assets

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and equipment	\$ 116,967	\$ 93,197	\$ 23,770	\$ 30,203
Piano	194,679	81,032	113,647	119,629
	<u>\$ 311,646</u>	<u>\$ 174,229</u>	<u>\$ 137,417</u>	<u>\$ 149,832</u>

6. Deferred subscriptions and ticket sales, grants, sponsorships and other revenue

	<u>2018</u>		
	<u>Subscriptions and ticket sales</u>	<u>Grants, sponsorships and other</u>	<u>Total</u>
Balance, beginning of the year	\$ 335,414	\$ 128,120	\$ 463,534
Amounts realized	(335,414)	(128,120)	(463,534)
Amounts received	<u>355,109</u>	<u>169,384</u>	<u>524,493</u>
Balance, end of the year	<u>\$ 355,109</u>	<u>\$ 169,384</u>	<u>\$ 524,493</u>

VANCOUVER RECITAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

6. Deferred subscriptions and ticket sales, grants, sponsorships and other revenue - continued

	2017		
	Subscriptions and ticket sales	Grants, sponsorships and other	Total
Balance, beginning of the year	\$ 310,577	\$ 90,454	\$ 401,031
Amounts realized	(310,577)	(90,454)	(401,031)
Amounts received	335,414	128,120	463,534
Balance, end of the year	\$ 335,414	\$ 128,120	\$ 463,534

7. Vancouver Foundation endowment fund

Pursuant to an agreement entered into during 1993, an endowment fund with the Vancouver Foundation was established. Annual income from the fund is distributed to the society. The society is restricted in its right to withdraw any assets contributed to the endowment fund. The contributions to the endowment fund are held in perpetuity. Accordingly, the endowment fund is not reflected in the financial statements.

8. Commitments

Under the terms of agreements with artists, the society has agreed to pay artists' fees of approximately \$35,000 and \$245,000 U.S. for performances in fiscal 2019. Under various agreements, the society is also required to pay certain artists' travel costs as incurred related to future performances.

9. Financial instruments risks

The significant risks the society's financial instruments are exposed to are credit risk, currency risk and liquidity risk, each of which is discussed below.

- i) Credit risk – Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the society to a significant credit risk consist primarily of cash and cash equivalents, accounts receivable and long-term investment. The society mitigates its exposures to credit loss by holding its cash with a Schedule II bank and its long-term investment with the Vancouver Foundation. The society believes that its accounts receivable credit risk exposure is limited.
- ii) Currency 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. A significant portion of the society's cash is denominated in U.S. dollars and the society is committed to paying a significant portion of the artists' fees for the upcoming year in U.S. dollars. Consequently, the society is subject to the risk of fluctuating exchange rates.

VANCOUVER RECITAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

9. Financial instruments risk - continued

iii) Liquidity risk - Liquidity risk relates to the risk the society will encounter difficulty in meeting its obligations associated with financial liabilities. Its financial liabilities consist of accounts payable. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet obligations.

10. Remuneration

During the year, two people (2017 - one person) received remuneration of at least \$75,000 and the remuneration amounted to \$165,000 (2017 - \$85,000) in total.

11. Subsequent event

Subsequent to the year-end, the society's Board of Directors made the determination to transfer the remaining fund balances of the Audience Development Fund, the Succession Planning Fund and the Special Projects and Events Development Fund, totalling \$248,177, to the Operations Fund.