

**VANCOUVER RECITAL SOCIETY**

FINANCIAL STATEMENTS

AUGUST 31, 2021



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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Vancouver Recital Society

Report on the Audit of the Financial Statements

### *Qualified Opinion*

We have audited the financial statements of Vancouver Recital Society (the "Society"), which comprise the statement of financial position as at August 31, 2021, and the statement of operations, the statement of changes in net assets, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Society derives some revenue from voluntary contributions the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses, and cash flows from operating activities for the years ended August 31, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 Society 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 qualified audit opinion.

*Responsibilities of Management and Those Charged With Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society to cease to continue as a going concern.

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Independent Auditor's Report  
Vancouver Recital Society

- 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 basis consistent with that of the preceding year.

*Baker Tilly WM LLP*

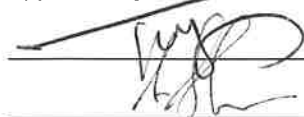
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
January 11, 2022

**VANCOUVER RECITAL SOCIETY**  
 (Organized under the Societies Act of British Columbia)  
**STATEMENT OF FINANCIAL POSITION**  
 For the year ended August 31, 2021

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets			
Cash - operations fund (note 3)	\$	1,271,336	\$ 1,145,512
- CRM acquisition fund		100,000	---
Government remittances receivable		28,887	28,849
Prepaid expenses		<u>3,102</u>	<u>3,652</u>
		1,403,325	1,178,013
Long-term investment (note 4)		425,000	300,000
Capital assets (note 5)		<u>127,242</u>	<u>137,528</u>
	\$	<u>1,955,567</u>	\$ <u>1,615,541</u>
	<u>LIABILITIES</u>		
Current liabilities			
Accounts payable and accrued liabilities	\$	25,514	\$ 132,187
Deferred subscriptions and ticket sales, grants, sponsorships and other revenue (note 6)		<u>228,956</u>	<u>149,982</u>
		254,470	282,169
Loan payable (note 7)		<u>30,000</u>	<u>30,000</u>
		<u>284,470</u>	<u>312,169</u>
	<u>NET ASSETS</u>		
Operations fund		1,443,855	1,165,844
CRM acquisition fund		100,000	---
Capital asset fund		<u>127,242</u>	<u>137,528</u>
		<u>1,671,097</u>	<u>1,303,372</u>
	\$	<u>1,955,567</u>	\$ <u>1,615,541</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, 2021

	<u>2021</u>	<u>2020</u>
Revenue		
Subscriptions and ticket sales	\$ ---	\$ 418,948
Community gaming grant	20,000	20,000
Grants and donations - Foundations	218,564	286,912
Grants – Government (note 14)	179,036	124,035
Program Advertising	---	300
Sponsorships	<u>105,000</u>	<u>131,000</u>
	<u>522,600</u>	<u>981,195</u>
Allocated concert expenses		
Artists' fees, travel and accommodation	45,631	258,393
Commissions on ticket sales	---	9,555
Marketing and publicity	14,095	119,473
Other production costs	18,325	60,007
Theatre rent	<u>3,300</u>	<u>50,975</u>
	<u>81,351</u>	<u>498,403</u>
	441,249	482,792
Other income		
Donations revenue	399,634	503,918
Foreign exchange gain (loss)	(18,002)	12,549
Interest and miscellaneous	141	1,559
Special events, net loss	---	(8,761)
Vancouver Foundation distribution (note 4 and 9)	<u>31,178</u>	<u>24,923</u>
Contribution towards unallocated production and other expenses	<u>854,200</u>	<u>1,016,980</u>
Unallocated production and other expenses		
Amortization	12,474	13,611
Wages and consulting fees	414,977	397,757
Fundraising costs	94	1,633
Office and miscellaneous	<u>58,930</u>	<u>104,866</u>
	<u>486,475</u>	<u>517,867</u>
Excess of revenue over expenses for the year	<u>\$ 367,725</u>	<u>\$ 499,113</u>

See accompanying notes to the financial statements.

**VANCOUVER RECITAL SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended August 31, 2021

	Operations	CRM	Capital	Total	
	Fund	Acquisition Fund	Asset Fund	2021	2020
Net assets, beginning of the year	\$ 1,165,844	\$ ---	\$ 137,528	\$ 1,303,372	\$ 804,259
Interfund transfer (note 10)	(100,000)	100,000	---	---	---
Acquisition of capital assets	(2,188)	---	2,188	---	---
Excess (deficiency) of revenue over expenses for the year	<u>380,199</u>	<u>---</u>	<u>(12,474)</u>	<u>367,725</u>	<u>499,113</u>
Net assets, end of the year	<u>\$ 1,443,855</u>	<u>\$ 100,000</u>	<u>\$ 127,242</u>	<u>\$ 1,671,097</u>	<u>\$ 1,303,372</u>

See accompanying notes to the financial statements.

**VANCOUVER RECITAL SOCIETY**

## STATEMENT OF CASH FLOWS

For the year ended August 31, 2021

	<u>2021</u>	<u>2020</u>
Cash from operating activities		
Excess of revenue over expenses for the year	\$ 367,725	\$ 499,113
Forgivable government assistance included in excess of revenue over expenses for the year	---	(10,000)
Items not involving cash		
Donations revenue	(28,838)	(27,493)
Amortization	<u>12,474</u>	<u>13,611</u>
	351,361	475,231
Net change in non-cash working capital balances		
Accounts receivable	---	45,680
Government remittances receivable	(38)	(28,849)
Prepaid expenses	550	8,316
Accounts payable and accrued liabilities	(106,673)	81,704
Government remittances payable	---	(10,366)
Deferred subscriptions and ticket sales, grants, sponsorships and other revenue	<u>78,974</u>	<u>(526,938)</u>
	<u>324,174</u>	<u>44,778</u>
Cash used in investing activities		
Proceeds from sale of marketable securities	28,838	27,493
Acquisition of long-term investment	(125,000)	---
Acquisition of capital assets	<u>(2,188)</u>	<u>(6,148)</u>
	<u>(98,350)</u>	<u>21,345</u>
Cash from financing activities		
Advances from loan payable	<u>---</u>	<u>40,000</u>
Increase in cash during the year	225,824	106,123
Cash, beginning of the year	<u>1,145,512</u>	<u>1,039,389</u>
Cash, end of the year	<u>\$ 1,371,336</u>	<u>\$ 1,145,512</u>
Cash is presented as follows:		
Operations fund	\$ 1,271,336	\$ 1,145,512
CRM acquisition fund	<u>100,000</u>	<u>---</u>
	<u>\$ 1,371,336</u>	<u>\$ 1,145,512</u>

See accompanying notes to the financial statements.



## **VANCOUVER RECITAL SOCIETY**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended August 31, 2021

#### **1. General**

Vancouver Recital Society (the "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. 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 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) **CRM acquisition fund**

The CRM acquisition fund includes amounts internally restricted by the board of directors for acquiring a new ticketing and customer relationship management (CRM) system.

iii) **Capital asset fund**

The capital asset fund includes the furniture and equipment, piano, and leasehold improvements 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.

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 long-term investment. Financial liabilities measured at cost or amortized cost include accounts payable and loan 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.

## VANCOUVER RECITAL SOCIETY

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

#### 2. Summary of significant accounting policies - continued

- c) Capital assets - 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
Leasehold improvements	- straight-line over the lease term

Amortization expense is recorded in the capital asset fund.

When a tangible capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

- d) 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.

Assistance for operating expenses under the Government of Canada's COVID-19 response programs is recorded as revenue when the assistance is receivable.

Forgivable loans comprise government assistance that is forgiven on the condition that the Society continues to meet certain requirements specified at the time of entitlement. Forgivable loans are recognized as a grant when the Society becomes entitled to receipt. The grant is presented in the statement of operations as grants - government. If conditions arise that would cause the forgivable loan to be repayable, the Society recognizes a liability to repay the assistance in the period the conditions occurred. Loans from governments and their agencies having normal commercial characteristics are not considered to be government assistance.

- e) Contributed services and materials - Donated services and materials are not recorded except for theatre rent paid by another organization, where the fair value can be reasonably estimated, which are reflected as grants revenue of \$nil (2020 - \$33,135) during the year ended August 31, 2021 with a corresponding charge recorded as theatre rent.
- f) Non-monetary donations - Periodically the Society receives shares of quoted equity securities as donations. These non-monetary donations are measured at the quoted closing price on the day received. The Society's policy is to liquidate these securities promptly upon receipt so as to minimize any exposure to other price risk.
- g) 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**

For the year ended August 31, 2021

## 2. Summary of significant accounting policies - continued

- h) 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

Included in cash – operations fund at August 31, 2021 is \$22,610 (2020 - \$28,054) of restricted cash received from a Province of British Columbia Community Gaming Grant. This cash is to be used for the 2022 fiscal year to assist with artist fees, production, marketing and other costs essential to the direct delivery of the program. Also included in cash – operations fund at August 31, 2021 is \$560,101 U.S. (2020 - \$491,679 U.S.). See note 11a.

## 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 2018, when the Society made its initial investment, no access to capital was permitted. During the subsequent four years, the Society may request in writing to redeem up to 10% of the investment annually (not cumulative). In the fifth and subsequent years the Society may request to redeem all or a portion of the remaining investment. Income earned is allocated to the Fund on a quarterly basis.

## 5. Capital assets

	2021			2020
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 122,415	\$ 104,644	\$ 17,771	\$ 19,919
Piano	194,679	97,241	97,438	102,567
Leasehold improvements	19,792	7,759	12,033	15,042
	<u>\$ 336,886</u>	<u>\$ 209,644</u>	<u>\$ 127,242</u>	<u>\$ 137,528</u>

**VANCOUVER RECITAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended August 31, 2021

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

	2021		
	Subscriptions and ticket sales	Grants, sponsorships and other	Total
Balance, beginning of the year	\$ 7,476	\$ 142,506	\$ 149,982
Amounts realized	(7,476)	(44,050)	(51,526)
Amounts received	<u>---</u>	<u>130,500</u>	<u>130,500</u>
Balance, end of the year	<u>\$ ---</u>	<u>\$ 228,956</u>	<u>\$ 228,956</u>

	2020		
	Subscriptions and ticket sales	Grants, sponsorships and other	Total
Balance, beginning of the year	\$ 440,633	\$ 236,287	\$ 676,920
Amounts realized	(440,633)	(208,259)	(648,892)
Amounts received	<u>7,476</u>	<u>114,478</u>	<u>121,954</u>
Balance, end of the year	<u>\$ 7,476</u>	<u>\$ 142,506</u>	<u>\$ 149,982</u>

7. Loan payable

In the prior year, the Society received a \$40,000 loan under the Canada Emergency Business Account ("CEBA") program. The loan is guaranteed by the Canadian government, unsecured, and interest-free through December 31, 2023. \$10,000 is eligible for forgiveness, contingent on the Society repaying \$30,000 on or before December 31, 2023. During the year ended August 31, 2021, the Society recognized \$nil (2020 - \$10,000) as government grants for the forgivable portion of the loan. If \$30,000 isn't repaid on or before December 31, 2023, \$40,000 (including the forgivable amount) will be converted to a two-year term loan maturing on December 31, 2025 and bearing interest at 5% per annum with monthly interest-only payments. As at August 31, 2021, the principal balance owing on the loan is \$30,000 (2020 - \$30,000).

The funds from the CEBA program must only be used to pay non-deferrable operating expenses such as payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any costs such as prepayment or refinancing of existing indebtedness, payments of dividends and distributions, and/or increases in management compensation.

8. Non-monetary donations

During the year ended August 31, 2021, the Society received donations of quoted equity securities which were immediately disposed of for \$28,838 (2020 - \$27,493).

## VANCOUVER RECITAL SOCIETY

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

#### 9. 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.

#### 10. Interfund transfer

During the year, the Society's Board of Directors made the determination to transfer \$100,000 from the Operations Fund to the CRM Acquisition Fund for the purpose of acquiring a new ticketing and customer relationship management (CRM) system.

#### 11. Commitments

a) Under the terms of agreements with artists, the Society has agreed to pay artists' fees of approximately \$352,350 U.S. for performances in fiscal 2022. Under various agreements, the Society is also required to pay certain artists' travel costs as incurred related to future performances. See note 3.

b) Under the terms of an office operating lease which expires March 31, 2024, with an option to extend for an additional term of 5 years, the Society is committed to make the following payments:

	\$
2022	13,575
2023	14,600
2024	<u>8,925</u>
	<u>37,100</u>

Furthermore, the Society is required to pay its share of certain operating expenses and property taxes incurred by the lessor of the Society's office lease.

#### 12. Financial instruments risks

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

a) 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 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.

b) 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 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

For the year ended August 31, 2021

#### 12. Financial instruments risks – continued

- c) 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 and loan payable. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet obligations.
- d) Other price risk – 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 or currency 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 Society is exposed to other price risk related to its long-term investment in units of the Vancouver Foundation's Consolidated Trust Fund.

#### 13. Remuneration

During the year, three people (2020 - three people) received remuneration of at least \$75,000 and the remuneration amounted to approximately \$279,200 (2020 - \$268,800) in total.

#### 14. Impact of COVID-19 pandemic

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Society's environment and in the global markets and further measures to be introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Society's operations.

As a result of this pandemic, the Society cancelled all physical concerts in the 2020/2021 season, which resulted in the repayment of subscriptions and ticket sales and lost revenue. The Society held six online concerts in the fiscal year ended August 31, 2021, and no ticket and subscriptions revenue were collected from the online concerts. The Society resumed physical concerts in the Fall 2021.

During the year ended August 31, 2021, the Society applied for and received specific COVID-19 subsidy and relief funding totalling \$177,036 (2020 - \$90,900) which includes \$nil (2020 - \$10,000) forgiveness of the \$40,000 CEBA loan and \$177,036 (2020 - \$80,900) subsidy under the Canada Emergency Wage Subsidy (CEWS) program.

The extent of the additional future impact of this outbreak and related containment measures on the Society's operations cannot be reliably estimated at this time.

#### 15. Comparative Figures

Certain 2020 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2021.