

VANCOUVER RECITAL SOCIETY

Vancouver, BC

FINANCIAL STATEMENTS

August 31, 2023



Baker Tilly WM LLP

900 - 400 Burrard Street
Vancouver, BC
Canada V6C 3B7
T: 604.684.6212
F: 604.688.3497

vancouver@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Vancouver Recital Society:

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, 2023, 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, 2023, 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.

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, 2023 and 2022, current assets as at August 31, 2023 and 2022, and net assets as at September 1 and August 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended August 31, 2022 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 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.
- ♦ 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, B.C.
January 15, 2024

VANCOUVER RECITAL SOCIETY

STATEMENT OF OPERATIONS

For the year ended August 31, 2023

	2023	2022
	\$	\$
Revenues		
Subscription and ticket sales	452,323	391,348
Grants and donations - Foundations	439,146	380,325
Sponsorship	130,000	100,000
Grants from City of Vancouver (Note 1)	73,665	116,115
Grants from Federal government	-	34,956
Grants from Provincial government	31,800	55,973
Community gaming grant	20,000	20,000
	<u>1,146,934</u>	<u>1,098,717</u>
Concert expenses		
Artists' fees, travel and accommodation	439,607	424,428
Commission on ticket sales	5,009	975
Marketing and publicity	139,997	89,611
Other production costs	67,682	96,330
Theatre rent	98,847	111,777
	<u>751,142</u>	<u>723,121</u>
	<u>395,792</u>	<u>375,596</u>
Other income (expenses)		
Donation revenue	739,669	546,835
Vancouver Foundation distributions (Notes 4 and 8)	89,586	31,504
Foreign exchange gain	20,635	21,599
Miscellaneous income	17,371	24
Piano rental	5,000	-
Loss on disposal of capital assets	(7,702)	-
	<u>864,559</u>	<u>599,962</u>
Contribution towards unallocated production and other expenses	<u>1,260,351</u>	<u>975,558</u>
Other expenses		
Amortization	9,922	11,173
Fundraising costs	4,893	2,923
Office and miscellaneous	170,204	101,453
Wages and consulting fees	529,730	448,907
	<u>714,749</u>	<u>564,456</u>
Excess of revenue over expenses for the year	<u>545,602</u>	<u>411,102</u>

The accompanying notes are an integral part of these financial statements.

VANCOUVER RECITAL SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended August 31, 2023

	Operations fund \$	CRM Acquisition Fund \$	Capital Asset Fund \$	Total 2023 \$	Total 2022 \$
Balance, beginning	1,863,667	100,000	118,532	2,082,199	1,671,097
Excess of revenue over expenses for the year	563,226	-	(17,624)	545,602	411,102
Acquisition of capital assets	(348)	-	348	-	-
Balance, ending	2,426,545	100,000	101,256	2,627,801	2,082,199

The accompanying notes are an integral part of these financial statements.

VANCOUVER RECITAL SOCIETY

STATEMENT OF FINANCIAL POSITION

August 31, 2023

	2023	2022
	\$	\$
Assets		
Current		
Cash (Note 2)		
Operations fund	1,051,063	1,458,009
CRM acquisition fund	100,000	100,000
Accounts receivable (Note 3)	187,585	1,398
Prepaid expenses	<u>9,751</u>	<u>8,147</u>
	1,348,399	1,567,554
Long-term investment (Note 4)	1,800,000	825,000
Capital assets (Note 5)	<u>101,256</u>	<u>118,532</u>
	3,249,655	2,511,086
Liabilities		
Current		
Accounts payable and accrued liabilities	54,441	36,458
Government remittances payable	17,965	12,419
Deferred subscriptions and ticket sales, grants, sponsorship and other revenue (Note 6)	<u>549,448</u>	<u>380,010</u>
	621,854	428,887
Fund Balances		
Operations fund	2,426,545	1,863,667
CRM Acquisition Fund	100,000	100,000
Capital Asset Fund	<u>101,256</u>	<u>118,532</u>
	2,627,801	2,082,199
	3,249,655	2,511,086

Approved by the Directors:


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The accompanying notes are an integral part of these financial statements.

VANCOUVER RECITAL SOCIETY

STATEMENT OF CASH FLOWS

For the year ended August 31, 2023

	2023	2022
	\$	\$
Cash flows related to operating activities		
Excess of revenue over expenses for the year	545,602	411,102
Adjustments for items which do not affect cash:		
Grants - City of Vancouver	(73,665)	(103,080)
Donation revenue	(60,836)	(77,850)
Loss on disposal of equipment	7,702	-
Amortization	9,922	11,173
Theatre rent	73,665	103,080
	<u>502,390</u>	<u>344,425</u>
Changes in non-cash working capital:		
Accounts receivable	(186,187)	(1,398)
Government remittances receivable	-	28,887
Prepaid expenses	(1,604)	(5,045)
Accounts payable and accrued liabilities	17,983	10,944
Government remittances payable	5,546	12,419
Deferred subscriptions and ticket sales, grants, sponsorship and other revenue	169,438	151,054
	<u>507,566</u>	<u>541,286</u>
Cash flows related to investing activities		
Proceeds from sale of quoted equity securities	60,836	77,850
Acquisition of long-term investment	(975,000)	(400,000)
Acquisition of capital assets	(348)	(2,463)
	<u>(914,512)</u>	<u>(324,613)</u>
Cash flows related to financing activity		
Repayment of long-term debt	-	(30,000)
Net increase (decrease) in cash	(406,946)	186,673
Cash, beginning	1,558,009	1,371,336
Cash, ending	1,151,063	1,558,009
Cash consists of:		
Operations fund	1,051,063	1,458,009
CRM acquisition fund	100,000	100,000
	<u>1,151,063</u>	<u>1,558,009</u>

The accompanying notes are an integral part of these financial statements.

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

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.

1. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Fund accounting

The Society follows the restricted fund method of accounting for contributions. Under this method, each fund retains the donations received and makes expenditures in accordance with either the stated purpose of the designated fund or as specified by the donor, as the case may be.

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 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.

Financial instruments

Arm's Length Transactions

Measurement of financial instruments

The Society measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions.

The Society subsequently measures all of its financial assets and financial liabilities at amortized cost.

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Related Party Transactions

Measurement of related party financial instruments

The Society measures all related party financial instruments recognized in these financial statements at either the cost of the related party financial instrument, or at the cost of the consideration exchanged for the related party financial instrument. Measurement is based on the nature of the financial instrument, and depends on whether the instrument has repayment terms. The Society has no related party financial instruments required to be measured at fair value.

When the instrument has repayment terms, the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses previously recognized by the transferor.

When the related party financial instrument has no repayment terms, the cost of the instrument is determined using the consideration transferred or received.

Related party financial instruments initially measured at cost are subsequently measured using the cost method.

Transaction Costs

Transaction costs related to the acquisition or issuance of financial instruments subsequently measured at fair value and to instruments originated or exchanged in a related party transaction are recognized in excess of revenue over expenses when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of the transaction costs directly attributable to the acquisition or issuance of the instrument, and the adjustment is recognized in excess of revenue over expenses over the life of the instrument using the straight-line method.

Impairment

Financial assets measured at amortized cost and related party financial assets measured using the cost method are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in excess of revenue over expenses. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

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
Piano	5% declining balance

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

1. Summary of significant accounting policies (continued)

Capital assets (continued)

Amortization of leasehold improvements is recorded straight-line over the lease term.

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.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements unless they are substantial, a fair value can be reasonably estimated and the materials and services are used in the normal course of operations and would otherwise have been purchased. No contributed materials and services were recognized in the year except for theatre rent paid by another organization which is reflected as Grants - City of Vancouver of \$73,665 during the year ended August 31, 2023 (2022 - \$103,080) with a corresponding charge recorded as theatre rent.

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.

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.

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 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.

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

2. Cash

Included in cash - operations fund at August 31, 2023 is \$10,271 (2022 - \$20,519) of restricted cash received from the Province of British Columbia Community Gaming Grant. This cash is to be used for the 2024 fiscal year to assist with artist fees, production, marketing, and other costs essential to the direct delivery of the recital series. Also included in cash - operations fund at August 31, 2023 is \$302,986 in U.S. dollars (2022 - \$365,733 in U.S. dollars).

3. Accounts receivable

	2023	2022
	\$	\$
Sponsorship receivable	130,000	-
Vancouver Foundation distributions receivable	46,346	-
Donations receivable	8,360	-
Miscellaneous receivables	<u>2,879</u>	<u>1,398</u>
	<u>187,585</u>	<u>1,398</u>

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. Income earned is allocated to the Fund on a quarterly basis.

5. Capital assets

	Cost	Accumulated amortization	2023 Net carrying amount	2022 Net carrying amount
	\$	\$	\$	\$
Furniture and equipment	125,226	111,908	13,318	16,339
Piano	194,679	106,741	87,938	92,566
Leasehold improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,627</u>
	<u>319,905</u>	<u>218,649</u>	<u>101,256</u>	<u>118,532</u>

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

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

	2023		
	Subscriptions and ticket sales	Grants, sponsorships and other	Total
	\$	\$	\$
Balance, beginning of year	102,449	277,561	380,010
Amounts realized	(102,449)	(252,561)	(355,010)
Amounts received	<u>166,018</u>	<u>358,430</u>	<u>524,448</u>
Balance, end of year	<u>166,018</u>	<u>383,430</u>	<u>549,448</u>

	2022		
	Subscriptions and ticket sales	Grants, sponsorships and other	Total
	\$	\$	\$
Balance, beginning of year	-	228,956	228,956
Amounts realized	-	(135,929)	(135,929)
Amounts received	<u>102,449</u>	<u>184,534</u>	<u>286,983</u>
Balance, end of year	<u>102,449</u>	<u>277,561</u>	<u>380,010</u>

7. Non-monetary donations

During the year ended August 31, 2023, the Society received donations of quoted equity securities which were immediately disposed of for \$62,887 (2022 - \$77,850).

8. 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.

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

9. Commitments

Under the terms of an office operating lease which expires March 31, 2028, with an option to extend an additional term of five years, the Society is committed to make the following payments:

	\$
2024	31,252
2025	31,853
2026	32,454
2027	32,454
2028	16,227
	<hr/>
	144,240
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Under the terms of agreements with artists, the Society has agreed to pay artists' fees of approximately \$375,713 for performances in 2023 (2022 - \$396,015). Under various agreements, the Society is also required to pay certain artists travel costs as incurred related to future performances.

10. Financial instrument risks

Items that meet the definition of a financial instrument include cash, accounts receivable, long-term investment, accounts payable and accrued liabilities.

Financial instrument transactions, such as purchasing and selling foreign currency, collecting receivables, and settling payables may result in exposure to significant financial risks and concentrations of risk. The Society's policy is to liquidate shares of quoted equity securities promptly upon receipt so as to minimize any exposure to other price risk.

The nature and extent of significant risks as at August 31, 2023 are described below. There have been no changes to the significant risks from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk includes currency risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Society undertakes transactions in foreign currencies, and consequently, certain of its financial instruments are exposed to foreign currency fluctuations. As at August 31, 2023, cash balances, presented in Canadian dollars, of \$409,970 (2022: \$479,512) are dominated in U.S. dollars. In addition, under the terms of agreements with artists, the Society has agreed to pay artists' fees of approximately \$353,363 Canadian dollars which are denominated in U.S. dollars (2022: \$378,015 Canadian dollars which are denominated in U.S. dollars).

VANCOUVER RECITAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

10. Financial instrument risks (continued)

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 significant other price risk in respect of its long-term investment in units of the Vancouver Foundation's Consolidated Trust Fund.

11. Remuneration

During the year, three people (2022 - three people) received remuneration of at least \$75,000 and the remuneration amounted to approximately \$342,697 (2022 - \$293,386) in total.