

Financial Statements of

**VANCOUVER SYMPHONY SOCIETY**

And Independent Auditors' Report thereon

Year ended June 30, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Members of Vancouver Symphony Society

### ***Opinion***

We have audited the financial statements of Vancouver Symphony Society (the "Entity"), which comprise:

- the statement of financial position as at June 30, 2020
- the statement of revenues and expenses for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at June 30, 2020, 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 Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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 policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organization have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Vancouver, Canada  
October 28, 2020

# VANCOUVER SYMPHONY SOCIETY

## Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,762,336	\$ 977,603
Accounts receivable (note 3(b) and 3(d))	755,314	609,135
Due from foundations (notes 3(a) and 4)	754,757	1,406,941
Inventory	24,782	10,504
Prepaid expenses	45,551	393,453
	<u>4,342,740</u>	<u>3,397,636</u>
Capital assets (note 5)	1,266,917	810,567
	<u>\$ 5,609,657</u>	<u>\$ 4,208,203</u>

## Liabilities, Deferred Capital Contributions and Deficiency in Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,492,611	\$ 1,858,599
Deferred revenue	2,110,909	2,227,707
Deferred contributions (note 6)	1,404,119	74,719
	<u>5,007,639</u>	<u>4,161,025</u>
Deferred capital contributions (note 3(a), note 7)	1,012,079	482,604
Deficiency in net assets	(410,061)	(435,426)
	<u>\$ 5,609,657</u>	<u>\$ 4,208,203</u>

Commitments and contingencies (note 11)  
Impact of COVID-19 on operations (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

# VANCOUVER SYMPHONY SOCIETY

## Statement of Revenues and Expenses

Year ended June 30, 2020, with comparative information for 2019

	2020	%	2019	%
<b>Revenues (note 8):</b>				
Concert	\$ 5,560,937	36	\$ 7,167,249	40
Endowment funds (notes 3(a) and 4)	828,715	5	1,063,675	6
Fundraising (notes 3(a), 3(b) and 3(c))	2,967,484	19	3,999,720	23
Gifts from other charities and bequests	261,948	2	392,686	2
Grants from the public sector (note 3(c))	5,690,306	37	5,585,002	28
Amortization of deferred capital contributions (note 7)	186,904	1	98,013	1
	15,496,294	100	18,306,345	100
<b>Expenses (note 9):</b>				
Concert	12,777,718	87	15,402,612	83
Administrative, office premises and fundraising	2,693,211	17	2,886,261	17
	15,470,929	100	18,288,873	100
Excess of revenues over expenses for the year	\$ 25,365		\$ 17,472	

## Statement of Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Deficiency in net assets, beginning of year	\$ (435,426)	\$ (452,898)
Excess of revenues over expenses	25,365	17,472
Deficiency in net assets, end of year	\$ (410,061)	\$ (435,426)

See accompanying notes to financial statements.

# VANCOUVER SYMPHONY SOCIETY

## Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 25,365	\$ 17,472
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(186,904)	(98,013)
Depreciation of capital assets	263,015	180,751
	101,476	100,210
Changes in non-cash operating working capital:		
Accounts receivable	(146,179)	(110,039)
Due from foundations	652,184	(215,454)
Inventory	(14,278)	2,978
Prepaid expenses	347,902	(25,958)
Accounts payable and accrued liabilities	(365,988)	710,686
Deferred revenue	(116,798)	(257,969)
Deferred contributions	1,329,400	(37,482)
	1,787,719	166,972
Financing:		
Contributions for capital assets	716,379	207,744
	716,379	207,744
Investments:		
Capital asset additions	(719,365)	(296,377)
	(719,365)	(296,377)
Increase in cash and cash equivalents	1,784,733	78,399
Cash and cash equivalents, beginning of year	977,603	899,264
Cash and cash equivalents, end of year	\$ 2,762,336	\$ 977,603

See accompanying notes to financial statements.

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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## 1. Purpose of the Society:

The Vancouver Symphony Society (the "Society") operates the third largest major symphony orchestra in Canada. The Society was incorporated under the Society Act of British Columbia. The Society transitioned to the new Societies Act of British Columbia on August 13, 2018. The Society is registered as a charitable organization under the Canadian Income Tax Act. As such, the Society is exempt from income taxes and is able to issue donation receipts for income tax purposes.

## 2. Significant accounting policies:

The Society follows Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

### (a) Cash and cash equivalents:

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

### (b) Inventory:

Inventory of saleable goods is carried at the lower of cost and estimated net realizable value.

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation on the basis noted below is provided on the cost of capital assets over their estimated useful lives at the following annual rates:

Asset	Basis	Rate
Computer equipment	Straight-line	20%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	10%
Music library	Straight-line	5%
Ticketing system	Straight-line	10%
ArtsVision	Straight-line	20%
Website	Straight-line	33.3%

Deferred contributions relating to capital assets are amortized to revenue on the same basis as the related capital assets.

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.



# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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## 2. Significant accounting policies (continued):

### (d) Financial instruments (continued):

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (e) Revenue recognition:

The Society follows the deferral method of accounting for contributions which includes donations and government grants.

Unrestricted contributions are recognized as revenue when received or as receivable, if the amount to be received can be reasonably established and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the related assets are depreciated.

Pledges are recorded as revenue when signed pledge documents are received and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenues from ticket sales, corporate concert sponsorships, and contract fees are recorded upon receipt as deferred revenue until the date of the related performance(s).

### (f) Donated services, in-kind grants, and office lease arrangements:

The following donated services and in-kind grants are recorded at their estimated fair value:

- (i) Grants from the City of Vancouver equal to the theatre rent expense for the use of the Orpheum Theatre; and
- (ii) Marketing donations in the form of no-charge advertising included in publicity and promotion expense and annual giving campaign revenue.

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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## 2. Significant accounting policies (continued):

- (f) Donated services, in-kind grants, and office lease arrangements (continued):

Volunteers contribute their time to assist the Society in carrying out its service delivery requirements. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Office space rented from the Alan and Gwendoline Pyatt Foundation for the period prior to January 17, 2020 was recorded at the contractual lease rate of \$1. Office rent under the new agreement is recorded on a straight-line basis over the terms of the lease. See Note 3(e).

- (g) Use of estimates:

The preparation of financial statements 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 year. Significant areas requiring the use of management estimates include the determination of useful life of capital assets for purposes of depreciation. Actual results could differ from those estimates.

## 3. Related party and in-kind transactions:

- (a) Vancouver Symphony Foundation (the "VSF") and the Orpheum Theatre Foundation (the "OTF"):

- (i) VSF:

The VSF holds and invests restricted funds. A portion of the income generated from these funds is distributed to the Society, but the capital of the VSF is not an asset of the Society. The Board of Trustees of the VSF is elected by the membership of the VSF, which comprises Directors of the Society and Trustees of the VSF. Directors of the Society may also be trustees of the VSF but may not comprise a majority of the VSF Board. The VSF has not been consolidated in the Society's financial statements. Income from the VSF totaling \$675,000 (2019 - \$915,000) is included with endowment funds revenue and \$41,300 (2019 - \$262,000) is included in fundraising revenue and nil (2019 - \$226,640) is included in deferred capital contributions. At June 30, 2020, net assets of the VSF were \$35,115,676 (2019 - \$33,821,275) and the amount recorded as due to the Society was \$715,249 (2019 - \$1,362,188). Included in the amounts due to the Society are nil (2019 - nil) which the Society pays annually on behalf of VSF for administrative expenses.

During the year ended June 30, 2010, the Society's Board approved a policy whereby, as long as the Society has a deficiency in net assets, unrestricted bequests to the Society will be retained by the Society; thereafter, they will be allocated as to two-thirds to the VSF, with the Society recording the net one-third in gifts from estates and bequests. No amount was allocated to the VSF during the current or prior year.

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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### 3. Related party and in-kind transactions (continued):

(a) Vancouver Symphony Foundation (the "VSF") and the Orpheum Theatre Foundation (the "OTF") (continued):

(ii) OTF:

The OTF administers various fundraising projects for the principal users of the Orpheum Theatre. The Board of Trustees of the OTF is appointed by the beneficiary societies, with the Society appointing three of five trustees. At June 30, 2020, net assets of the OTF were \$2,282 (2019 - \$2,303) and the amount recorded as due to the Society was \$5,659 (2019 - \$5,659).

Amounts due to the Society by the VSF and the OTF are interest-free, unsecured and have no fixed terms of payment.

(b) Contributions from directors:

Included in fundraising revenue is \$137,140 (2019 - \$157,425) donated by the Directors of the Society. At June 30, 2020, donations from Directors of the Society of nil (2019 - \$40,015) are included in accounts receivable.

(c) In-kind grants and donations:

Annual giving campaign revenue includes nil (2019 - \$8,198) in respect of in-kind advertising that is recorded as publicity and promotion expense. Included in public sector revenue are amounts totaling \$1,003,864 (2019 - \$1,534,687), which represent in-kind grants from the City of Vancouver, that are recorded as theatre rent. Fundraising sponsorship revenue includes \$22,775 (2019 - \$29,480) representing in-kind donations of other goods and services.

(d) The VSO School of Music Society (the "Music School"):

The Music School was incorporated on June 30, 2010. The Board of Directors of the Music School is elected by the membership of the Music School. Directors of the Society may also be Trustees of the Music School but may not comprise a majority of the Music School Board. The Music School commenced full operations in September of 2012, and it operates independently of the Society. The Society is entitled to receive a share of future profits of the Music School. No amount was paid to the Society for the year ended June 30, 2020 (2019 - nil).

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

### 3. Related party and in-kind transactions (continued):

#### (e) Office rent:

Effective July 1, 2011, the Society entered into a 10-year lease with a 6-month extension option with the Alan and Gwendoline Pyatt Foundation to lease the office premises at 833 Seymour Street, Vancouver, British Columbia for \$1 per year. On January 17, 2020, the 5<sup>th</sup> floor office space was purchased by the Vancouver Symphony Foundation from the Alan and Gwendoline Pyatt Foundation. Concurrently, the Vancouver Symphony Society entered into a lease with the Vancouver Symphony Foundation. The payment terms are \$45,000 per year from January 17, 2020 to June 30, 2021 and \$144,000 per year for the period July 1, 2021 to the expiry of the lease. The Society recognizes office rent on a straight-line basis over the term of the lease. For the year ended June 30, 2020, office rent of \$22,500 (2019 - \$1) is included in Administrative, office premises and fundraising expenses.

### 4. Revenue from Vancouver Foundation:

The Vancouver Foundation holds and invests restricted funds. A portion of the income generated from these funds is distributed to the Society, but the capital of the Vancouver Foundation is not an asset of the Society. Income from the Vancouver Foundation totaling \$129,464 (2019 - \$125,499) is included with Endowment funds revenue. A receivable portion of \$32,774 (2019 - \$31,958) is included in Due from foundations. At June 30, 2020, the fair value of the investments held by the Vancouver Foundation for the benefit of the Society were \$3,231,473 (2019 - \$3,319,689).

### 5. Capital assets:

<b>June 30, 2020</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Computer equipment	\$ 1,276,101	\$ 469,897	\$ 806,204
Furniture and equipment	936,909	685,068	251,841
Leasehold improvements	71,998	61,902	10,096
Music library	300,755	198,683	102,072
Ticket system	708,822	663,955	44,867
ArtsVision	77,741	29,404	48,337
Website	21,000	17,500	3,500
	<b>\$ 3,393,326</b>	<b>\$ 2,126,409</b>	<b>\$ 1,266,917</b>

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

## 5. Capital assets (continued):

June 30, 2019	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 562,976	\$ 334,854	\$ 228,122
Furniture and equipment	936,909	616,035	320,874
Leasehold improvements	71,998	57,889	14,109
Music library	294,515	185,092	109,423
Ticket system	708,822	645,169	63,653
ArtsVision	77,741	13,855	63,886
Website	21,000	10,500	10,500
	<b>\$ 2,673,961</b>	<b>\$ 1,863,394</b>	<b>\$ 810,567</b>

Included in computer equipment is \$716,379 (2019 - \$244,998) representing the Society's share of funding for digital equipment at the Orpheum Theatre which was purchased jointly with the City of Vancouver and is available for use by the Society in conjunction with its lease of the Theatre.

## 6. Deferred contributions:

	2020	2019
Balance, beginning of year	\$ 74,719	\$ 112,201
Amounts realized	(46,757)	(83,484)
Amounts received	1,376,157	46,002
Balance, end of year	<b>\$ 1,404,119</b>	<b>\$ 74,719</b>

Included in Amounts received in the current year is \$1,347,000 received in advance on operating grants for the next fiscal year from the BC Arts Council and Canada Council.

## 7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amounts of contributed capital assets and contributions used to purchase equipment. The changes in the deferred capital contributions balance for the year are as follows:

	2020	2019
Balance, beginning of year	\$ 482,604	\$ 372,873
Additions to contributed capital	716,379	207,744
Amounts amortized to revenue	(186,904)	(98,013)
Balance, end of year	<b>\$ 1,012,079</b>	<b>\$ 482,604</b>

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

## 8. Breakdown of revenues:

	2020	2019
Concert revenue:		
Ticket sales:		
Series	\$ 2,823,579	\$ 3,392,155
Specials	1,665,673	2,294,450
Sold services and other events	1,044,502	1,444,120
Interest income on advance ticket sales	27,183	36,524
	<u>5,560,937</u>	<u>7,167,249</u>
Revenue from other sources:		
Endowment funds:		
Vancouver Symphony Foundation (note 3(a))	675,000	915,000
Vancouver Foundation (note 4)	129,464	125,499
Other	24,251	23,176
	<u>828,715</u>	<u>1,063,675</u>
Fundraising:		
Annual giving campaign (notes 3(b) and 3(c))	1,408,301	1,850,312
Symphony ball, lottery and other (notes 3(b))	992,408	1,441,314
Sponsorships (note 3(c))	566,775	708,094
	<u>2,967,484</u>	<u>3,999,720</u>
Gifts from other charities and bequests:		
Foundations	69,905	133,890
Estates and bequests	192,043	258,796
	<u>261,948</u>	<u>392,686</u>
Public sector:		
Canada Council	1,906,106	1,908,629
Canada Emergency Wage Subsidy	1,088,963	-
Province of British Columbia	1,372,000	1,475,500
City of Vancouver (note 3(c))	1,323,237	2,155,873
City of Burnaby	-	45,000
	<u>5,690,306</u>	<u>5,585,002</u>
Amortization of deferred capital contributions (note 7)	186,904	98,013
	<u>9,935,357</u>	<u>11,139,096</u>
<b>Total revenues</b>	<b>\$ 15,496,294</b>	<b>\$ 18,306,345</b>

Gaming revenue included in fundraising revenue is \$207,516 (2019 - \$377,366) earned from lottery activities. Gaming revenue included in sold service and other events revenue is \$3,005 (2019 - \$2,730). Capital Project Gaming Grant included in deferred capital contributions is nil (2019 - nil).

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

## 9. Breakdown of expenses:

	2020	2019
Concert:		
Conductors and soloists	\$ 1,848,415	\$ 2,307,709
Musicians	5,812,130	6,390,192
Theatre rent (note 3(c))	1,110,542	1,642,975
Stage and production	1,356,663	1,749,336
Summer events, education and sold services	895,639	1,217,877
Publicity and promotion (note 3(c))	1,754,329	2,094,523
	<u>12,777,718</u>	<u>15,402,612</u>
Administrative, office premises and fundraising:		
Administrative:		
Administrative salaries and benefits	796,433	876,428
Data processing	2,843	5,012
Depreciation	271,802	180,751
Insurance	33,743	33,211
Legal and audit	108,453	113,750
Office and sundry	408,969	273,123
	<u>1,622,243</u>	<u>1,482,275</u>
Office premises:		
Rent (note 3(e))	22,500	1
Repairs and maintenance	63,983	58,497
	<u>86,483</u>	<u>58,498</u>
Fundraising:		
Salaries	504,930	617,786
Campaign expenses	95,634	135,126
Symphony ball, lottery and other	383,921	592,576
	<u>984,485</u>	<u>1,345,488</u>
	<u>2,693,211</u>	<u>2,886,261</u>
Total expenses	<u>\$ 15,470,929</u>	<u>\$ 18,288,873</u>

## 10. Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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## 10. Financial risks (continued):

### (b) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Accounts payable and accrued liabilities are generally paid within 30 days. As at June 30, 2020, while the Society had a deficiency in net assets of approximately \$410,061 and a working capital deficiency of approximately \$664,899, its cash resources exceeded its accounts payable by \$1,269,725. The deficiencies in net assets and the working capital deficiency decreased in the current year as a result of current year excess of revenue over expenses of \$25,365. The Society monitors its cash flows on a regular basis to ensure that it has sufficient cash resources to meet its expected financial commitments.

### (c) Currency risk:

The Society is exposed to fluctuations in exchange rates on amounts paid to guest artists in US dollars. As a result, the Society has implemented a policy to minimize the foreign exchange risk by hedging 50 - 70% of the US dollar payments for the upcoming season. Foreign exchange contracts will be entered into in the first month of the fiscal year. All foreign exchange contracts will be short term and completed by June 30 of the fiscal year. The Society did not designate any foreign exchange contracts as hedges and did not apply hedge accounting for the year ended June 30, 2020. As at June 30, 2020, there were no outstanding contracts.

### (d) Other risk:

The Society believes it is not exposed to significant market or cash flow risk arising from other financial instruments. There has been no change to the risk exposure from 2019.

## 11. Commitments and contingencies:

- (a) Related to licensing of ticketing and development software in 2006, the Society signed a membership agreement with Tessitura Network, Inc. on August 29, 2007, which includes a commitment to pay an annual fee of \$39,552 USD (\$53,670 CAD) commencing October 1, 2007.
- (b) The Society leases office space from the Foundation. The rent from January 17, 2020 to June 30, 2021 is \$45,000 per year. For the period July 1, 2021 to the expiry of the lease rent is \$144,000 per year. A requirement of the lease is that the Society is to pay strata fees directly to the strata of \$3,188 (2019 - \$2,077) per month for the duration of the lease.
- (c) Effective March 19, 2018, the Society entered into a three-year agreement with Orchestra Management Solutions Inc. for online subscription services to management software called ArtsVision. The software assists with the planning for all activities in the orchestral season including concerts, educational activities, orchestra personnel, guest artists and music library. The total implementation fee and first year project costs are \$59,150 USD (\$77,682 CAD). The annual license fee commencing December 1, 2020 is \$20,270 USD (\$26,990 CAD). The agreement has an automatic three-year renewal after the three-year term.



# VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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## 11. Commitments and contingencies (continued):

(d) The Society and the City of Vancouver are in negotiations surrounding the terms of its past and future usage of the Orpheum Theatre and settlement of amounts owed to the City for rent not covered by an offsetting grant from the City of Vancouver. The Society's position is that there should be no amount owing based on its previous relationship and understanding with the City. No provision has been made for a potential liability as the amount cannot be reliably measured at present. Based on current knowledge, the Society expects the final determination of the amount owing, if any, will not have a material adverse effect on the financial statements.

## 12. Credit facilities:

As at June 30, 2020, the Society had a credit facility available with HSBC Bank of Canada for \$750,000 (2019 - \$750,000) bearing interest at HSBC Bank of Canada's prime rate plus 1.5% per annum. Nil amounts were drawn on this facility as at June 30, 2020 (2019 - nil).

## 13. Remuneration of employees and contractors:

For the fiscal year ended June 30, 2020, the Society paid total remuneration of \$1,474,358 (2019 - \$1,725,068) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

## 14. Impact of COVID-19 on operations:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the primary impact on the Society has been the suspension of its in-person concerts. Other impacts include:

- Temporary work from home arrangements for employees;
- Temporary suspension of all in-person fundraising events;
- Application and receipt of Government grants and assistance under the Canada Emergency Workers Subsidy ("CEWS");
- Cost reduction efforts including staff and musician salary reductions and minimization of production and marketing costs; and
- Development of online production capabilities to provide the Symphony's offerings on a virtual basis.

The impact of the pandemic creates uncertainty over the realization of future cash flows, may cause significant changes to the assets or liabilities and, as a result, may have a significant impact on future operations. An estimate of the financial impact is not practicable at this time. The Society continues to closely monitor the recommendations from public health agencies and government authorities and is implementing its business continuity plans to reduce any adverse financial impact and continue operations.