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Financial Statements of

VANCOUVER SYMPHONY SOCIETY

Year ended June 30, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of Vancouver Symphony Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Vancouver Symphony Society, which comprise the statement of financial position as at June 30, 2015, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Vancouver Symphony Society derives a portion of its revenue in the form of voluntary contributions from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Vancouver Symphony Society, and we were not able to determine whether, as at or for the year ended June 30, 2015, any adjustments might be necessary to fundraising revenue and excess of revenue over expenses reported in statement of revenue and expenses and assets and deficiency in net assets reported in the statement of financial position.

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 the Vancouver Symphony Society as at June 30, 2015, and the results of its operations and its cash flows for the year ended June 30, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required as part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

As required by the Society 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 organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

October 28, 2015
Vancouver, Canada

VANCOUVER SYMPHONY SOCIETY

Statement of Financial Position

June 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,665,447	\$ 1,541,051
Accounts receivable (note 3(b))	391,230	356,657
Loan receivable (note 3(d))	-	120,000
Due from foundations (notes 3(a) and 4)	615,045	540,814
Inventory	11,410	11,832
Prepaid expenses	131,987	41,423
	<u>2,815,119</u>	<u>2,611,777</u>
Capital assets (note 5)	534,298	628,430
	<u>\$ 3,349,417</u>	<u>\$ 3,240,207</u>

Liabilities, Deferred Capital Contributions and Deficiency in Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 582,608	\$ 722,817
Deferred revenue (note 6)	1,734,939	1,707,247
Deferred contributions (note 7)	1,516,033	1,410,565
	<u>3,833,580</u>	<u>3,840,629</u>
Deferred capital contributions (note 8)	145,243	186,071
Deficiency in net assets	(629,406)	(786,493)
	<u>\$ 3,349,417</u>	<u>\$ 3,240,207</u>

Commitments (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

VANCOUVER SYMPHONY SOCIETY

Statement of Revenue and Expenses

Year ended June 30, 2015, with comparative information for 2014

	2015	%	2014	%
Revenue (schedule 1):				
Concert	\$ 5,387,441	38	\$ 5,185,692	38
Endowment funds (notes 3(a) and 4)	639,794	4	561,233	4
Fundraising (notes 3(b), 3(c) and 9)	4,194,030	29	3,740,203	27
Gifts from other charities and bequests	105,165	1	150,235	1
Grants from the public sector (note 3(c))	3,976,575	28	4,018,179	30
Amortization of deferred capital contributions (note 8)	42,388	-	44,054	-
	<u>14,345,393</u>	<u>100</u>	<u>13,699,596</u>	<u>100</u>
Expenses (schedule 2):				
Concert	12,083,123	85	11,611,894	85
Administrative, office premises and fundraising	2,105,183	15	2,080,215	15
	<u>14,188,306</u>	<u>100</u>	<u>13,692,109</u>	<u>100</u>
Excess of revenues over expenses for the year	\$ 157,087	-	\$ 7,487	-

Statement of Changes in Net Assets

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Deficiency in net assets, beginning of year	\$ (786,493)	\$ (793,980)
Excess of revenues over expenses	157,087	7,487
Deficiency in net assets, end of year	<u>\$ (629,406)</u>	<u>\$ (786,493)</u>

See accompanying notes to financial statements.

VANCOUVER SYMPHONY SOCIETY

Statement of Cash Flows

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 157,087	\$ 7,487
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(42,388)	(44,054)
Depreciation of capital assets	128,200	124,846
	242,899	88,279
Changes in non-cash operating working capital:		
Accounts receivable	(34,573)	9,359
Due from foundations	(74,231)	(189,037)
Inventory	422	(1,183)
Prepaid expenses	(90,564)	(7,024)
Accounts payable and accrued liabilities	(140,209)	12,704
Deferred revenue	27,692	103,016
Deferred contributions	105,468	1,283,605
	36,904	1,299,719
Financing:		
Contributions related to capital assets	1,560	6,930
Investments:		
Loan receivable	-	(150,000)
Repayment of loan receivable	120,000	30,000
Capital asset additions	(34,068)	(74,900)
	85,932	(194,900)
Increase in cash and cash equivalents	124,396	1,111,749
Cash and cash equivalents, beginning of year	1,541,051	429,302
Cash and cash equivalents, end of year	\$ 1,665,447	\$ 1,541,051

See accompanying notes to financial statements.

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

1. Purpose of the Society:

The Vancouver Symphony Society (the "Society") operates the third largest major symphony orchestra in Canada. The Society is incorporated under the Society Act of British Columbia and 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%

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, 2015

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, 2015

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 rent from the Alan and Gwendoline Pyatt Foundation is recorded at the contractual lease rate of \$1.

(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 \$520,000 (2014 - \$447,000) is included with endowment funds revenue. At June 30, 2015, net assets of the VSF were \$17,360,550 (2014 - \$14,128,502) and the amount recorded as due to the Society was \$583,154 (2014 - \$510,422). Included in the amounts due to the Society are \$1,000 (2014 - \$1,000) 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. Amounts allocated to the VSF and netted against the Society's revenue from estates and bequests during the current year in accordance with this policy totaled nil (2014 - nil).

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

3. Related party and in-kind transactions:

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

(i) 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, 2015, net assets of the OTF were \$2,362 (2014 - \$2,383) and the amount recorded as due to the Society was \$5,659 (2014 - \$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 \$250,265 (2014 - \$312,859) donated by the Directors of the Society as part of an annual giving campaign. At June 30, 2015, donations from Directors of the Society of \$42,000 (2014 - \$66,700) are included in accounts receivable.

- (c) In-kind grants and donations:

Annual giving campaign revenue includes \$552,705 (2014 - \$356,966) in respect of in-kind advertising that is recorded as publicity and promotion expense. Included in public sector revenue are amounts totaling \$1,243,377 (2014 - \$1,237,078), which represent in-kind grants from the City of Vancouver, that are recorded as theatre rent. Fundraising sponsorship revenue includes \$40,802 (2014 - \$39,369) 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, which are not expected to be realized until the Society's 2017 fiscal year.

During the year ended June 30, 2015, the Society charged the Music School a management fee of \$100,000 for the 2014/2015 season. As at June 30, 2015, \$108,334 (2014 - \$100,000) of management fee are included in accounts receivable.

In March 2014, the VSS loaned the Music School \$150,000 to be used to assist in finalizing the Music School's payment to Tom Lee Music for the original purchase of pianos for the Music School. The loan is to be repaid \$15,000 per month for ten months with an interest rate of 1%. If at any time the loan causes the VSS to go into its line of credit the interest rate will increase to prime plus 1.5%. In February 2015 the loan was fully paid.

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

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

(e) Office rent:

Effective July 1, 2011, the Society entered into a 10-year lease with the Alan and Gwendoline Pyatt Foundation to lease the office premises at 833 Seymour Street, Vancouver, British Columbia for \$1 per year. Alan Pyatt is a Director for both the Alan and Gwendoline Pyatt Foundation and the Society.

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 \$102,004 (2014 - \$97,106) is included with endowment funds revenue. A receivable portion of \$26,234 (2014 - \$24,733) is included in Due from Foundation. At June 30, 2015, the fair value of the investments held by the Vancouver Foundation were \$2,981,796 (2014 - \$2,860,083).

5. Capital assets:

June 30, 2015	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 219,919	\$ 158,305	\$ 61,614
Furniture and equipment	631,544	519,317	112,227
Leasehold improvements	71,998	41,515	30,483
Music library	242,860	129,234	113,626
Ticket system	648,822	432,474	216,348
	\$ 1,815,143	\$ 1,280,845	\$ 534,298

June 30, 2014	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 201,020	\$ 133,620	\$ 67,400
Furniture and equipment	623,410	498,407	125,003
Leasehold improvements	71,998	37,322	34,676
Music library	235,825	116,505	119,320
Ticket system	648,822	366,791	282,031
	\$ 1,781,075	\$ 1,152,645	\$ 628,430

Included in the cost of capital assets is \$104,967 (2014 - \$104,967) of contributed equipment. The net book value of this contributed equipment as at June 30, 2015 is \$13,609 (2014 - \$19,791).

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

6. Deferred revenue:

	2015	2014
Ticket sales	\$ 1,627,686	\$ 1,636,783
Summer concert revenue	107,253	70,464
	<u>\$ 1,734,939</u>	<u>\$ 1,707,247</u>

7. Deferred contributions:

	2015	2014
Balance, beginning of year	\$ 1,410,565	\$ 126,960
Amounts realized	(1,448,329)	(77,321)
Amounts received	1,553,797	1,360,926
Balance, end of year	<u>\$ 1,516,033</u>	<u>\$ 1,410,565</u>

During the year ended June 30, 2015, the Society received its 2015/2016 operating grant of \$1,290,000 (2014 - \$1,290,000) from the BC Art's Council.

8. 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:

	2015	2014
Balance, beginning of year	\$ 186,071	\$ 223,195
Contributions for the purchase of equipment	1,560	6,930
Amounts amortized to revenue	(42,388)	(44,054)
Balance, end of year	<u>\$ 145,243</u>	<u>\$ 186,071</u>

9. Gaming revenue:

Included in special projects, fundraising revenue is \$459,646 (2014 - \$393,063) earned from lottery and \$60,000 (2014 - \$60,000) from Direct Access, which is internally restricted.

Included in sold service and other events revenues are \$1,270 (2014 - \$1,085).

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

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.

(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, 2015, while the Society had a deficiency in net assets of approximately \$629,406 and a working capital deficiency of approximately \$1,018,461, its cash resources exceed its accounts payable by \$1,031,724. 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 \$157,087. 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, July, for that fiscal year. All foreign exchange contracts will be short term and completed by June 30 of the fiscal year. The Company did not designate any foreign exchange contracts as hedges and did not apply hedge accounting for the year ended June 30, 2015. As at June 30, 2015, 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 2014.

11. Commitments:

- (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 US\$33,360 commencing October 1, 2007.
- (b) Effective July 1, 2011, the Society entered into 10-year lease with the Alan and Gwendoline Pyatt Foundation to lease office premises at 833 Seymour Street, Vancouver, British Columbia for \$1 per year. A requirement of the lease is that the Society is to pay the related strata fees of \$1,062 per month for the duration of the lease.

VANCOUVER SYMPHONY SOCIETY

Notes to Financial Statements

Year ended June 30, 2015

12. Credit facilities:

As at June 30, 2015, the Foundation had a credit facility available with HSBC Bank of Canada for \$750,000 bearing interest at HSBC Bank of Canada's prime rate plus 1.5% per annum. No amounts were drawn on this facility as at June 30, 2015 (2014 - nil).

VANCOUVER SYMPHONY SOCIETY

Schedule of Revenues

Schedule 1

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Concert revenue:		
Ticket sales:		
Series	\$ 3,125,006	\$ 3,117,958
Specials	1,594,045	1,488,388
Sold services and other events	657,173	567,733
Interest income on advance ticket sales	11,217	11,613
	<u>5,387,441</u>	<u>5,185,692</u>
Revenue from other sources:		
Endowment funds:		
Vancouver Symphony Foundation (note 3(a))	520,000	447,000
Vancouver Foundation (note 4)	102,004	97,106
Other	17,790	17,127
	<u>639,794</u>	<u>561,233</u>
Fundraising:		
Annual giving campaign (notes 3(b) and 3(c))	1,885,949	1,736,283
Special projects (notes 3 and 9)	1,498,778	1,206,792
Sponsorships (note 3(c))	809,303	797,128
	<u>4,194,030</u>	<u>3,740,203</u>
Gifts from other charities and bequests:		
Foundations	47,500	46,843
Estates and bequests (note 3(a))	57,665	103,392
	<u>105,165</u>	<u>150,235</u>
Public sector:		
Canada Council	1,354,198	1,365,500
Province of British Columbia	1,290,000	1,321,601
City of Vancouver (note 3(c))	1,287,377	1,281,078
City of Burnaby	45,000	50,000
	<u>3,976,575</u>	<u>4,018,179</u>
Amortization of deferred capital contributions (note 8)	42,388	44,054
	<u>8,957,952</u>	<u>8,513,904</u>
Total revenues	\$ 14,345,393	\$ 13,699,596

VANCOUVER SYMPHONY SOCIETY

Schedule of Expenses

Schedule 2

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Concert:		
Conductors and soloists	\$ 1,868,245	\$ 1,722,535
Musicians	4,792,645	4,725,843
Theatre rent (note 3(c))	1,335,419	1,321,393
Stage and production	954,627	946,270
Summer events, education and sold services	493,287	425,437
Publicity and promotion (note 3(c))	2,638,900	2,470,416
	<u>12,083,123</u>	<u>11,611,894</u>
Administrative, office premises and fundraising:		
Administrative:		
Administrative salaries and benefits	595,705	684,296
Data processing	6,048	10,696
Depreciation	128,200	124,846
Insurance	34,228	32,936
Legal and audit	31,182	32,212
Office and sundry	326,864	268,442
	<u>1,122,227</u>	<u>1,153,428</u>
Office premises:		
Rent (note 3(e))	1	1
Repairs and maintenance	43,841	40,899
	<u>43,842</u>	<u>40,900</u>
Fundraising:		
Salaries	434,490	369,650
Campaign expenses	128,134	124,866
Special projects	476,490	491,371
	<u>1,039,114</u>	<u>985,887</u>
	<u>2,205,183</u>	<u>2,180,215</u>
Recoveries from Music School (note 3(d))	(100,000)	(100,000)
	<u>2,105,183</u>	<u>2,080,215</u>
Total expenses	\$ 14,188,306	\$ 13,692,109