

Financial Statements of

**THE CALGARY PHILHARMONIC
ORCHESTRA FOUNDATION**

Years ended June 30, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Members of The Calgary Philharmonic Orchestra Foundation

We have audited the accompanying financial statements of The Calgary Philharmonic Orchestra Foundation which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of changes in endowment fund balance, and cash flows for the years ended June 30, 2013 and 2012, 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 audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Philharmonic Orchestra Foundation as at June 30, 2013, June 30, 2012 and July 1, 2011, and its results of operations, and its cash flows for the years ended June 30, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

September 23, 2013
Calgary, Canada

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Statement of Financial Position

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30 2013	June 30 2012	July 1 2011
Assets			
Current assets:			
Cash	\$ 96	\$ 1,678	\$ 170,081
GST rebates recoverable	806	705	689
Prepaid expenses	700	700	
	1,602	3,083	170,770
Investments (note 3)	25,810,471	22,803,817	22,600,666
Life insurance policies and annuities (note 4)	232,847	222,779	212,848
	\$ 26,044,920	\$ 23,029,679	\$ 22,984,284

Liabilities

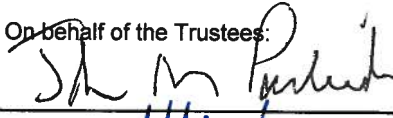
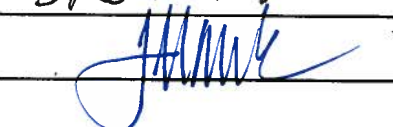
Current liabilities:			
Accounts payable and accrued liabilities	\$ 30,060	\$ 27,029	\$ 25,753
Due to the Calgary Philharmonic Society			175,000
	30,060	27,029	200,753

Endowment Fund

Endowment Fund balance (note 5)	26,014,860	23,002,650	22,783,531
	\$ 26,044,920	\$ 23,029,679	\$ 22,984,284

See accompanying notes to financial statements.

On behalf of the Trustees:

Trustee

Trustee

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Statement of Changes in Endowment Fund Balance

Years ended June 30, 2013 and 2012

	2013	2012
Net investment income:		
Investment income earned:		
Mutual funds:		
Equities	\$ 301,322	\$ 254,647
Bonds	282,148	338,858
Money market	7,579	12,354
	<u>591,049</u>	<u>605,859</u>
Other	138	
	<u>591,187</u>	<u>605,859</u>
Expenses:		
Investment management fees	63,205	56,941
Audit fees	14,350	13,325
Insurance	2,100	1,400
Miscellaneous	4,307	435
	<u>83,962</u>	<u>72,101</u>
	<u>507,225</u>	<u>533,758</u>
Donations and government grants:		
Donations (note 7):		
Cash	249,812	37,256
Securities	144,553	293,072
	<u>394,365</u>	<u>330,328</u>
Government grants:		
Canada Cultural Investment Fund Endowment Incentives Grant	172,039	424,876
Alberta Community Spirit Program Donation Grant	10,478	18,298
	<u>182,517</u>	<u>443,174</u>
	<u>576,882</u>	<u>773,502</u>
Net gains (losses) on investments:		
Realized on sale	154,439	61,456
Mutual fund capital gains distributed	93,337	405,564
Unrealized	2,570,451	(794,899)
	<u>2,818,227</u>	<u>(327,879)</u>
Increase in cash surrender value of life insurance policies	9,876	9,738
Contribution to the Calgary Philharmonic Society (note 1)	(900,000)	(770,000)
Increase in Endowment Fund balance	<u>3,012,210</u>	<u>219,119</u>
Endowment Fund balance, beginning of year	23,002,650	22,783,531
Endowment Fund balance, end of year	<u>\$ 26,014,860</u>	<u>\$ 23,002,650</u>

See accompanying notes to financial statements.

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Statement of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Financing activities:		
Donations	\$ 249,812	\$ 37,256
Canada Cultural Investment Fund Endowment Incentives Grant	172,039	424,876
Alberta Community Spirit Program Donation Grant	10,478	18,298
Contribution to the Calgary Philharmonic Society	(900,000)	(945,000)
	(467,671)	(464,570)
Investing activities:		
Net investment income:		
Investment income earned	591,187	605,859
Expenses, net of GST recoveries	(81,032)	(71,541)
	510,155	534,318
Investments:		
Proceeds on sale of investments	3,153,905	3,337,075
Mutual fund capital gains distributed	93,337	405,564
Purchase of investments	(3,291,116)	(3,980,597)
	(43,874)	(237,958)
Life insurance policy premiums	(192)	(193)
	466,089	296,167
Decrease in cash	(1,582)	(168,403)
Cash, beginning of year	1,678	170,081
Cash, end of year	\$ 96	\$ 1,678

See accompanying notes to financial statements.

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Notes to Financial Statements

Years ended June 30, 2013 and 2012

1. General:

The Calgary Philharmonic Orchestra Foundation (the "Foundation") was formed under the Societies Act of Alberta and is a not-for-profit organization. The Foundation is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes, provided certain requirements of that *Act* are met. The Foundation has as its objectives the administration and investment of donations and government grants received by it, for the benefit of the Calgary Philharmonic Society (the "Society"). Reference is made to note 5.

The Trustees of the Foundation, in their sole discretion, determine the amount of the contribution to the Society, based on consideration of a number of factors, including the budgetary requirements of the Society, the performance of the Foundation's investments, and the provisions of the *Income Tax Act*.

Any amounts that are due between the Foundation and the Society from time to time are unsecured, have no specific repayment terms and do not bear interest.

On July 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations as set forth in Part III of the CICA Handbook (the "Standards"). These are the first financial statements prepared in accordance with the Standards. In accordance with the transitional provisions of the Standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under the Standards. The transition date is July 1, 2011 and all comparative information provided has been presented by applying the Standards.

There were no adjustments to: (a) the Endowment Fund balance as at July 1, 2011; or (b) the changes in Endowment Fund balance for the year ended June 30, 2012, as a result of the transition to the Standards.

2. Significant accounting policies:

The financial statements of the Foundation have been prepared by management in accordance with the Standards. A precise determination of many assets and liabilities is dependent upon future events and consequently the preparation of periodic financial statements necessarily involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Revenue recognition:

Investment income consisting of distributions from mutual funds is recognized when received. Other investment income is recognized on the accrual basis.

The Foundation follows the deferral method of accounting for contributions whereby endowment contributions, including donations and government grants required to be held in perpetuity, are recognized as direct increases in the Endowment Fund balance.

(b) Investments:

Investments are comprised of mutual funds holding bonds, equities and money market instruments. These investments are measured at fair market value using their published rates. Net valuation gains or losses, realized and unrealized, are added to or subtracted from the Endowment Fund balance. Transaction costs that are directly attributable to the acquisition of investments are added to the cost of the investments.

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Notes to Financial Statements, Page 2

Years ended June 30, 2013 and 2012

2. Significant accounting policies (continued):

(c) Life insurance policies and annuities:

The Foundation is the owner and beneficiary of donated life insurance policies and annuities.

Life insurance policies are recorded at their cash surrender value. Increases in the cash surrender value are added directly to the Endowment Fund balance. Upon the death of an insured person, the amount by which the death benefit paid to the Foundation under each policy exceeds the cash surrender value will be added to the Endowment Fund balance at that time.

The annuities do not have guaranteed future payments and therefore have no recorded value.

(d) Donations in kind and contributed services:

Donations in kind are accounted for as donations revenue at their fair value as determined by an independent party in accordance with the provisions of the *Income Tax Act*. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. Investments:

			June 30, 2013	
			Cost	Market Value
Mutual funds:				
Equities	\$	13,954,418	\$	17,006,744
Bonds		8,138,218		8,447,283
Money market		356,444		356,444
			\$ 22,449,080	\$ 25,810,471
			June 30, 2012	
			Cost	Market Value
Mutual funds:				
Equities	\$	13,623,134	\$	13,886,028
Bonds		7,909,235		8,437,281
Money market		480,508		480,508
			\$ 22,012,877	\$ 22,803,817
			July 1, 2011	
			Cost	Market Value
Mutual funds:				
Equities	\$	12,148,352	\$	13,502,532
Bonds		7,898,811		8,130,470
Money market		967,664		967,664
			\$ 21,014,827	\$ 22,600,666

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Years ended June 30, 2013 and 2012

3. Investments (continued):

At June 30, 2013, the weighted average term to maturity of the bond mutual fund portfolio was 8.3 years (June 30, 2012 - 9.4 years; July 1, 2011 - 8.3 years), and the weighted average yield to maturity of that portfolio was 3.3% (June 30, 2012 - 2.8%; July 1, 2011 - 3.3%).

4. Life insurance policies and annuities:

At June 30, 2013, the death benefits payable under the life insurance policies owned by the Foundation amounted to \$507,480 (June 30, 2012 - \$505,208; July 1, 2011 - \$502,635), which is \$274,633 (June 30, 2012 - \$282,429; July 1, 2011 - \$289,787) in excess of the cash surrender value of those policies. The excess has not been recorded in the financial statements of the Foundation.

The annuity payments are dedicated to the payment of the premiums on certain of the life insurance policies.

5. Endowment Fund balance:

The Foundation has complied with the provisions of the *Income Tax Act* relating to the minimum amount (the "disbursement quota") that, as a public foundation, it is required to spend on charitable activities in order to maintain its registered charity status. The purpose of the disbursement quota is to ensure that registered charities actively use their tax-assisted donations to help others in accordance with their charitable purposes.

The Foundation has also complied with its contractual obligations pursuant to the grants it has received under the Endowment Incentives Component of the Canada Cultural Investment Fund, whereby it is required to maintain in the capital of the Endowment Fund the amount of the grants received from the Government of Canada plus the equivalent amount received from private donors. To June 30, 2013, the Foundation has received \$4,093,571 in Endowment Incentives Grants, and is therefore required to maintain \$8,187,142 in the Endowment Fund.

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Notes to Financial Statements, Page 4

Years ended June 30, 2013 and 2012

6. Financial Instruments:

(a) Credit risk:

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Foundation. Credit risk is managed by the Foundation's investment manager in accordance with the investment policy of the Foundation established by its Board of Trustees.

(b) Interest rate risk:

Interest rate risk arises from the potential that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Foundation has investments as disclosed in note 4, including interest bearing investments in bond and money market mutual funds on which general interest rate fluctuations apply.

(c) Currency risk:

Currency risk arises from the potential that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. All of the mutual funds held by the Foundation are priced in Canadian dollars. Certain of those mutual funds, the market value of which as at June 30, 2013 represents approximately 34% (June 30, 2012 - 30%; July 1, 2011 - 31%) of the total market value of the Foundation's investments, invest predominantly in US and other foreign equity securities, on an unhedged basis.

7. Donations from Trustees:

Donations of securities and cash received from the Trustees of the Foundation are as follows:

	2013	2012
Securities	\$ 90,310	\$ 268,250
Cash	35,600	6,975
	<u>\$ 125,910</u>	<u>\$ 275,225</u>