

Financial Statements of

**THE CALGARY PHILHARMONIC
ORCHESTRA FOUNDATION**

Year ended June 30, 2018



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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 statement of financial position as at June 30, 2018, the statements of changes in endowment fund balance 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 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, 2018, 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.

KPMG LLP

Chartered Professional Accountants

September 13, 2018
Calgary, Canada

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

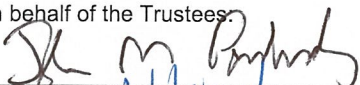
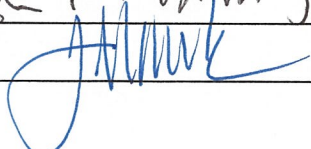
Statement of Financial Position

June 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 22,356	\$ 147,994
GST rebates recoverable	1,344	1,112
Prepaid expenses	700	700
	24,400	149,806
Investments (note 3)	36,381,665	36,031,459
Life insurance policies (note 4)	53,853	55,311
	<u>\$ 36,459,918</u>	<u>\$ 36,236,576</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,266	\$ 40,583
Due to the Calgary Philharmonic Society		130,878
	42,266	171,461
Endowment Fund		
Endowment Fund balance (note 5)	36,417,652	36,065,115
	<u>\$ 36,459,918</u>	<u>\$ 36,236,576</u>

See accompanying notes to financial statements.

On behalf of the Trustees:

Trustee

Trustee

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Statement of Changes in Endowment Fund Balance

June 30, 2018, with comparative information for 2017

	2018	2017
Net investment income:		
Investment income earned:		
Mutual funds:		
Equities	\$ 401,709	\$ 453,908
Bonds	433,795	352,269
Money market	34,186	21,218
	869,690	827,395
Expenses:		
Investment management fees	92,115	89,405
Audit fees	17,558	15,478
Legal fees	7,899	
Insurance	2,100	2,100
Miscellaneous	4,695	5,010
	124,367	111,993
	745,323	715,402
Donations and government grants:		
Donations (note 7):		
Cash	1,867,164	2,655,845
Securities	363,258	116,092
	2,230,422	2,771,937
Government grants:		
Canada Cultural Investment Fund Endowment Incentives Grant	1,319,151	1,523,370
	3,549,573	4,295,307
Net gains (losses) on investments:		
Realized on sale	1,389,507	1,436,404
Mutual fund capital gains distributed	78,969	
Unrealized	(493,667)	1,482,801
	974,809	2,919,205
Life insurance policies:		
Increase (decrease) in cash surrender value	(1,458)	1,822
Contribution to the Calgary Philharmonic Society	(4,915,710)	(4,428,440)
Increase in Endowment Fund balance	352,537	3,503,296
Endowment Fund balance, beginning of year	36,065,115	32,561,819
Endowment Fund balance, end of year	\$ 36,417,652	\$ 36,065,115

See accompanying notes to financial statements.

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Statement of Cash Flows

June 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Financing activities:		
Donations	\$ 1,867,164	\$ 2,655,845
Canada Cultural Investment Fund Endowment Incentives Grant	1,319,151	1,523,370
Contribution to the Calgary Philharmonic Society	(5,046,588)	(4,297,562)
	(1,860,273)	(118,347)
Investing activities:		
Net investment income:		
Investment income earned	869,690	827,395
Expenses, net of GST recoveries	(122,916)	(110,292)
	746,774	717,103
Investments:		
Proceeds on sale of investments	7,370,059	7,179,517
Mutual fund capital gains distributed	78,969	
Purchase of investments	(6,461,167)	(7,635,949)
	987,861	(456,432)
	1,734,635	260,671
Increase (decrease) in cash	(125,638)	142,324
Cash, beginning of year	147,994	5,670
Cash, end of year	\$ 22,356	\$ 147,994

See accompanying notes to financial statements.

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018, with comparative information for 2017

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.

2. Significant accounting policies:

The financial statements of the Foundation have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations as set forth in Part III of the CPA Canada Handbook - Accounting. 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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Year ended June 30, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(c) Life insurance policies:

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

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.

(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, 2018		June 30, 2017	
	Cost	Market Value	Cost	Market Value
Mutual funds:				
Equities	\$ 16,428,690	\$ 22,259,520	\$ 16,883,782	\$ 22,923,104
Bonds	11,685,720	11,833,070	10,705,146	11,137,671
Money market	2,289,075	2,289,075	1,970,684	1,970,684
	\$ 30,403,485	\$ 36,381,665	\$ 29,559,612	\$ 36,031,459

At June 30, 2018, the weighted average term to maturity of the bond mutual fund portfolio was 5.6 years (June 30, 2017 - 5.8 years), and the weighted average yield to maturity of that portfolio was 3.7% (June 30, 2017 - 3.3%).

4. Life insurance policies:

At June 30, 2018, the death benefits payable under the life insurance policies owned by the Foundation amounted to \$230,943 (June 30, 2017 - \$232,183), which is \$177,090 (June 30, 2017 - \$176,872) in excess of the cash surrender value of those policies. The excess has not been recorded in the financial statements of the Foundation.

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Year ended June 30, 2018, with comparative information for 2017

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, 2018, the Foundation has received \$9,034,713 in Endowment Incentives Grants, and is therefore required to maintain \$18,069,426 in the Endowment Fund.

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 3, 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, 2018 represents approximately 44% (June 30, 2017 - 42%) of the total market value of the Foundation's investments, invest predominantly in US and other foreign equity securities, on an unhedged basis.

(d) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its liabilities as they fall due. The Foundation aims to retain a sufficient cash position to manage liquidity.

7. Donations from Trustees:

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

	2018	2017
Cash	\$ 45,000	\$ 106,140
Securities		20,966
	\$ 45,000	\$ 127,106