



Financial Statements

Calgary Philharmonic Society

June 30, 2019

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Independent Auditor's Report

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To the Members of
Calgary Philharmonic Society

Opinion

We have audited the financial statements of Calgary Philharmonic Society (the "Society"), which comprise the statement of financial position as at June 30, 2019, and the statements of revenue and expenses, changes in net deficiency, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2019, and its financial performance 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 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 opinion.

Emphasis of matter

We draw attention to Note 18 to the financial statements, which explains that certain comparative information presented for the June 30, 2018 year has been restated. Our opinion is not modified in respect of this matter.

Other matter

The financial statements for the year ended June 30, 2018, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 18, 2018.

As part of our audit of the financial statements for the year ended June 30, 2019, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended June 30, 2018. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Independent Auditor's Report (continued)

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 organization'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.

Independent Auditor's Report (continued)

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.

Calgary, Canada
September 17, 2019

Grant Thornton LLP

Chartered Professional Accountants

Calgary Philharmonic Society

Statement of Revenue and Expenses

Year ended June 30

2019

2018
(Restated
Note 18)

Revenues

Ticket sales	\$ 3,377,266	\$ 3,806,504
Sold services	<u>830,462</u>	<u>619,845</u>

	<u>4,207,728</u>	<u>4,426,349</u>
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Donations and sponsorships (Notes 3 and 11)	6,306,427	6,460,139
Grants (Note 8)	2,652,881	2,691,159
Special events (Note 8)	336,007	300,637
Investment and other income (Note 10)	174,525	176,362
Foreign exchange gain	<u>6,580</u>	<u>25,570</u>

	<u>9,476,420</u>	<u>9,653,867</u>
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	<u>13,684,148</u>	<u>14,080,216</u>
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Expenses

Personnel (Note 9)	9,566,891	9,702,315
Marketing, ticketing and development (Note 3)	2,053,045	2,044,086
Administrative	513,640	635,909
Production	1,606,847	1,615,671
Depreciation and amortization	<u>133,762</u>	<u>148,354</u>

	<u>13,874,185</u>	<u>14,146,335</u>
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Deficiency of revenues over expenses	<u>\$ (190,037)</u>	<u>\$ (66,119)</u>
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Calgary Philharmonic Society **Statement of Changes in Net Deficiency**

Year ended June 30

	Unrestricted	Internally restricted (Note 13)	Net deficiency
Balance, June 30, 2017, as previously stated	\$ (271,585)	\$ -	\$ (271,585)
Restatement of comparative information (Note 18)	(127,044)	-	(127,044)
Balance, June 30, 2017, as restated	(398,629)	-	(398,629)
Deficiency of revenues over expenses (Restated, Note 18)	(66,119)	-	(66,119)
Balance, June 30, 2018	(464,748)	-	(464,748)
Deficiency of revenues over expenses	(190,037)	-	(190,037)
Balance, June 30, 2019	<u>\$ (654,785)</u>	<u>\$ -</u>	<u>\$ (654,785)</u>

Calgary Philharmonic Society

Statement of Financial Position

June 30

2019

2018
(Restated
Note 18)

Assets

Current

Cash	\$ 1,205,033	\$ 2,472,653
Short term investments (Note 4)	47,000	161,817
Accounts receivable (Note 11)	861,172	99,364
Prepaid expenses	320,164	394,049

2,433,369 3,127,883

Property and equipment (Note 5)

427,500 532,425

Intangible assets (Note 6)

6,775 22,375

\$ 2,867,644 \$ 3,682,683

Liabilities

Current

Accounts payable and accrued liabilities (Note 7)	\$ 538,282	\$ 748,541
Deferred revenue (Notes 8 and 11)	2,546,198	2,868,478
Current portion of accrued retirement benefit obligation (Note 9)	25,000	60,241

3,109,480 3,677,260

Accrued retirement benefit obligation (Note 9)

172,837 146,887

Deferred capital contributions (Notes 10 and 11)

240,112 323,284

3,522,429 4,147,431

Net deficiency

Unrestricted

(654,785) (464,748)

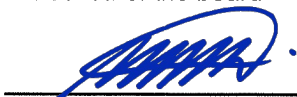
(654,785) (464,748)

\$ 2,867,644 \$ 3,682,683

Commitments (Note 12)

Economic dependence (Note 16)

On behalf of the board



Director



Director

Calgary Philharmonic Society

Statement of Cash Flows

Year ended June 30

2019

2018
(Restated
Note 18)

Increase (decrease) in cash

Operating

Deficiency of revenues over expenses	\$ (190,037)	\$ (66,119)
Items not affecting cash		
Depreciation and amortization	133,762	148,354
Amortization of deferred capital contributions	(88,925)	(106,744)
Accrued retirement benefit expense	15,709	14,152
Unrealized foreign exchange loss	-	16,994
Accrued retirement benefit payments	<u>(25,000)</u>	<u>(37,500)</u>
	(154,491)	(30,863)
Change in non-cash working capital items		
Accounts receivable	(761,808)	395,103
Prepaid expenses	73,885	152,946
Accounts payable and accrued liabilities	(210,259)	261,528
Deferred revenue	<u>(322,280)</u>	<u>(22,411)</u>
	<u>(1,374,953)</u>	<u>756,303</u>

Investing

Proceeds from (purchase of) short term investments	114,817	(161,817)
Purchase of property and equipment	(21,283)	(419,295)
Proceeds on disposal of property and equipment	8,046	-
Funds received for deferred capital contributions	<u>5,753</u>	<u>418,846</u>
	<u>107,333</u>	<u>(162,266)</u>

(Decrease) increase in cash

(1,267,620) 594,037

Cash

Beginning of year	<u>2,472,653</u>	<u>1,878,616</u>
End of year	<u>\$ 1,205,033</u>	<u>\$ 2,472,653</u>

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

1. General

Calgary Philharmonic Society (the "Society") was formed under the Societies Act of Alberta for the general purpose of operating a philharmonic orchestra in Calgary. The Society is a not-for-profit organization and is a registered charity under the Income Tax Act and accordingly is exempt from income taxes provided that certain requirements of the Income Tax Act are met.

2. Significant accounting policies

The financial statements of the Society are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

Cash and cash equivalents

The Society's policy is to present bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, and term deposits with a maturity period of three months or less at the date of acquisition. Term deposits that the organization cannot use for current transactions because they are pledged as security are excluded from cash and cash equivalents.

Property and equipment and intangible assets

Purchased property, equipment, and intangible assets are recorded at cost at the time of the acquisition. Contributed property, equipment and intangible assets are recorded at fair value at the date of the contribution. Property, equipment and intangible assets are depreciated or amortized using the straight-line method over their estimated useful lives as follows:

Computer equipment and software	5 years
Music library, leasehold improvements and other	10 years
Office equipment and furniture	5 - 10 years
Other equipment	10 years
Instruments	10 years
Website development costs	5 years

Items of property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer maintains service potential for the Society and when the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Society uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate for fair value.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

2. Significant accounting policies (continued)

Accrued retirement benefit obligation

Under the Society's contract with its musicians, each musician is eligible for a lump-sum retirement payment upon fulfilling certain criteria. The cost of the retirement benefit earned by the musicians is charged as an expense as services are rendered and musicians are entitled to access to the benefit, should certain criteria be satisfied in the future. The cost of the retirement benefit reflects a number of assumptions that affect the expected future benefit payments. These assumptions include, but are not limited to: attrition; mortality; and discount rate. Current service cost and interest accretion are recognized as an expense in the statement of revenue and expenses; experience gains or losses or adjustments to the benefit obligation arising from changes to the benefit program are recognized as an adjustment to net deficiency in the year such gains or losses or adjustments become known.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship 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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets 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 it is determined that there is a significant adverse change in the expected future 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. Impairment losses and associated reversals are recorded in the statement of revenues and expenses.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

2. Significant accounting policies (continued)

Revenue recognition

Revenues associated with ticket sales, sold services and special events are recognized when the events have occurred or services have been provided, the amount to be received can be reasonably estimated and collection is reasonably assured.

The Society follows the deferral method of accounting for donations, sponsorships and restricted grants, whereby funds received are recognized as revenue in the year in which the related expenses are incurred and when the sponsored events occur. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged unrestricted contributions are included in revenue at fair market value in the years to which the contributions are directed per the terms of the pledge and when the amounts are considered to be collectible.

Operating grants received from government agencies are included in revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions are recognized as revenue on the same basis as amortization of the associated property and equipment that were contributed to the Society or for which restricted funds received were expended.

Investment income is recognized as it accrues.

Foreign currency transactions

The Society's monetary assets and liabilities are translated at the exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year, except for depreciation and amortization, which are translated at historical rates. Exchange gains or losses are included in the statement of revenue and expenses.

Donated materials, equipment and services

Donated materials, equipment and services are recorded at their estimated fair value at the date of contribution when fair value can be reasonably estimated and the items would otherwise be purchased. A substantial number of volunteers make a significant contribution of their time to the Society. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective valuation or measurement.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

2. Significant accounting policies (continued)

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to measurement uncertainty in these financial statements include the estimated useful lives and service potential of property and equipment and intangible assets, the carrying value of accrued liabilities, the valuation of the accrued retirement benefit obligation and amortization of deferred capital contributions. Actual results could differ from these estimates.

3. Donations and sponsorships

Included in donations and sponsorships revenue and marketing, ticketing and development expenses are amounts totaling \$841,704 (2018 - \$677,539), representing the fair value of materials and services donated to the Society.

4. Short term investments

Short term investments consist of guaranteed investment certificates with a Canadian chartered bank that bear interest at rates of 1.85% to 2% per annum (2018 - 1.5% to 1.6% per annum) that mature on varying dates in the following fiscal year.

5. Property and equipment

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment and software	\$ 476,479	\$ 263,377	\$ 213,102	\$ 280,923
Music library, leasehold improvements and other	174,850	137,135	37,715	57,335
Office equipment and furniture	57,642	28,587	29,055	40,058
Other equipment	159,768	49,940	109,828	122,818
Instruments	218,132	180,332	37,800	31,291
	<u>\$ 1,086,871</u>	<u>\$ 659,371</u>	<u>\$ 427,500</u>	<u>\$ 532,425</u>

Included in depreciation and amortization expense in the statement of revenues and expenses in the year was amortization of \$118,162 (2018 - \$132,754) pertaining to property and equipment.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

6. Intangible assets

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Website development costs	\$ 78,000	\$ 71,225	\$ 6,775	\$ 22,375

Included in depreciation and amortization expense in the statement of revenues and expenses in the year was depreciation of \$15,600 (2018 - \$15,600) pertaining to intangible assets.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$34,844 (2018 - \$33,331) associated with government excise taxes.

8. Deferred revenue

Deferred revenue includes funds received in advance of services being provided by the Society for the Morningside Music Bridge ("MMB") Education Program, ticket subscription and membership sales proceeds received in advance of the upcoming season.

A summary of deferred revenues as at the close of the fiscal years is as follows:

	<u>2019</u>	<u>2018</u>
Education program (a)	\$ 1,328,408	\$ 1,287,532
Subscription sales and other	1,217,790	933,295
Grants (b)	-	647,651
	<u>\$ 2,546,198</u>	<u>\$ 2,868,478</u>

- (a) Funding for the MMB Education Program is principally received from the MMB Foundation. Funds received are restricted for expenses incurred to administer a summer training festival, representing a bridge to knowledge and lasting, lifelong learning for artists ages 12 to 18. The Program occurs in July annually and brings together talented young musicians from around the world under the guidance of an internationally renowned faculty. Revenues recognized under this Program for the year and included in donations and sponsorships revenue in the statement of revenues and expenses totaled \$1,198,523 (2018 - \$1,195,676).
- (b) Deferred grant revenue as at June 30, 2018 included Province of Alberta operating grant funding that was received in advance of the fiscal year to which the funding was provided.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

8. Deferred revenue (continued)

Included in grant revenue in the statement of revenues and expenses are operating grants received from Municipal, Federal and Provincial agencies including Calgary Arts Development, Canada Council for the Arts and Alberta Foundation for the Arts aggregating \$2,652,881 (2018 - \$2,691,159). Included in special events revenue in the statement of revenues and expenses are funds received and expended in the year from Alberta Gaming, Liquor and Cannabis of \$67,315 (2018 - \$nil).

9. Accrued retirement benefit obligation

Under the Society's agreement with its musicians, each tenured musician is eligible for a lump-sum retirement payment upon fulfilling certain criteria. The lump-sum retirement payment is equal to \$500 per year for each year of service. The maximum amount of the payment is \$12,500 and the eligibility requirement for payment is either the individual having: 1) a combined age and years of service equalling a total of 95 or greater or; 2) having reached the age of 65. The payment will be paid by the Society from cash resources available at the time the musician retires and notice of retirement must be given in writing to the Society by the musician ten months prior to the end of their last season.

The accrued retirement benefit obligation as at June 30, 2019 was estimated as \$197,837 (2018 - \$207,128). During the year ended June 30, 2019, the Society paid \$25,000 (2018 - \$37,500) to retiring musicians. Included in personnel expenses for the year ended June 30, 2019 were current service and interest costs associated with the accrued retirement benefit obligation of \$15,709 (2018 - \$14,152).

Significant assumptions used in the measurement of the Society's accrued retirement benefit obligation at June 30, 2019 and 2018 are summarized below and included an estimated forfeiture percentage (attrition) of a musician's right to retirement benefits of nil (2018 - nil).

	2019	2018
Discount rate	7.0%	3.75%
Retirement age	65	65
Average age	43.7	43.9
Average years of service	15.9	16.5
Number of musicians	61	55

10. Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributed property and equipment. The changes in the deferred capital contributions balance are as follows:

	2019	2018
Balance, beginning of year	\$ 323,284	\$ 11,182
Additions	5,753	418,846
Amortization	(88,925)	(106,744)
Balance, end of year	\$ 240,112	\$ 323,284

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

10. Deferred capital contributions (continued)

Revenue associated with amortization of deferred capital contributions is included in investment and other income in the statement of revenues and expenses.

11. Related party transactions

The Calgary Philharmonic Orchestra Foundation (the "Foundation") was formed under the Societies Act of Alberta. One director of the Society is a member on the Board of Trustees of the Foundation. During the year ended June 30, 2019, the Society received cash contributions of \$3,607,771 (2018 - \$5,046,588) from the Foundation, of which \$2,796,866 (2018 - \$3,540,006) was included in donations and sponsorship revenue, \$nil (2018 - \$101,493) was included in investment and other income related to the amortization of deferred capital contributions, \$nil (2018 - \$130,878) was received relating to an amount receivable outstanding at the close of the prior fiscal year, \$810,905 (2018 - \$976,858) was included in deferred revenue for an educational program of the Society held subsequent to year end and \$nil (2018 - \$297,353) was included in deferred capital contributions for the purchase of computer equipment and software. In addition, contributions pledged by the Foundation to the Society concerning the Society's fiscal 2019 year and included in accounts receivable and donations and sponsorships revenues totaled \$366,663 (2018 - \$nil).

These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Any amounts that are due between the Society and the Foundation are unsecured, non-interest bearing and without specified payment terms.

12. Commitments

The Society is committed to making the following approximate annual payments under an operating lease related to its premises:

2020	\$	73,200
2021		75,900
2022		<u>6,300</u>
	\$	<u>155,400</u>

13. Internally restricted net assets

The Society has established a cash reserve fund policy to ensure the stability of the Society for ongoing operations, to provide a source of internal funds for organizational priorities such as program opportunity and capacity building and to satisfy requirements of governmental funding agencies. The target quantum for the cash reserve fund is established as a minimum of 10% of the annual operating budget, which shall be reviewed and approved on an annual basis by the Board of Directors. Due to the Society's expenses exceeding revenues in the 2017, 2018 and 2019 fiscal years, the Society has been unable to establish a cash reserve fund. Accordingly, as at June 30, 2019 and 2018, there is no such cash reserve.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

14. Revolving credit facilities

The Society maintains \$500,000 in revolving, demand facilities, which increases to \$725,000 between March 13 and June 16 of a given calendar year only. These facilities bear interest at the bank's prime interest rate plus 1.25% per annum. The Society also maintains a credit card facility of up to \$100,000. These facilities are secured by a general security agreement granting the lender with a first security interest in all present and after acquired personal property of the Society.

As at June 30, 2019, \$nil (2018 - \$nil) was drawn under the revolving, demand facilities.

15. Financial instruments

The Society is exposed to various risks through its financial instruments including credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risks relates to its cash and cash equivalents, short term investments and accounts receivable. The Society mitigates its exposure to credit risk for its cash and cash equivalents and short term investments by placing these funds with Canadian chartered banks. The Society's accounts receivable are primarily receivable from government granting agencies and the Foundation, and management has assessed credit risk associated with its accounts receivable as low.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and accrued retirement benefit obligation. The Society manages its exposure to liquidity risk through cash monitoring and budgeting processes and through access to credit through various credit facilities (Note 14).

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

15. Financial instruments (continued)

(c) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to currency risk and interest rate risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society receives approximately 1 million US annually in contributions for its Education Program (Note 8). Consequently, cash and cash equivalents held by the Society are subject to fluctuations in foreign exchange rates. As at June 30, 2019, approximately \$900,000 (2018 - \$670,000) of the Society's cash and cash equivalents were denominated in US dollars.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its floating interest rate revolving, demand credit facilities, which subjects the Society to a cash flow risk.

16. Economic dependence

The Society received cash contributions and pledged contributions from the Foundation during the year in the amount of \$3,607,771 (2018 - \$5,046,588) and \$366,663 (2018 - \$nil), respectively, which includes unrestricted donations of \$2.8 million (2018 - \$2.9 million). The loss of all or a significant portion of funding from the Foundation would have a significant impact on the programming and services offered by the Society and would materially impact the Society's operating results and financial position.

17. Additional information to comply with the disclosure requirements of the Charitable Fund-Raising Act and Regulation

Expenses incurred in the year for the purposes of soliciting contributions were \$136,928 (2018 - \$119,751) and the total amount paid as remuneration to employees and contractors of the Society whose principal duties involved fundraising were \$433,009 (2018 - \$416,151).

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2019

18. Restatement of comparative information

During the 2019 year, the Society determined that its accrued retirement benefit obligation reported in its previously issued financial statements was understated. This understatement was the result of non-recognition of unamortized past service costs and unamortized net actuarial losses as a reduction in the previously reported unrestricted net deficiency. Accordingly, the comparative figures presented in these financial statements have been adjusted as follows:

- (i) The unrestricted net deficiency previously reported as at July 1, 2017 of \$271,585 has been increased by \$127,044;
- (ii) Personnel expenses previously reported for the year ended June 30, 2018 of \$9,711,881 have been decreased by \$9,566; and
- (iii) The accrued retirement benefit obligation previously reported as at June 30, 2018 of \$89,650 has been increased by \$117,478.

19. Comparative figures

Certain of the comparative figures in the statement of revenue and expenses have been reclassified to conform to the presentation adopted for the current year.
