



Financial Statements

Calgary Philharmonic Society

June 30, 2020

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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, 2020, 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, 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 *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 - restated comparative information

We draw attention to Note 20 to the financial statements, which explains that certain comparative information presented for the June 30, 2019 year has been restated. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report (continued)

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.

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 15, 2020

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Calgary Philharmonic Society

Statement of Financial Position

June 30 (With comparative figures for 2019)

	2020	2019 (Restated Note 20)
Assets		
Current		
Cash	\$ 744,928	\$ 1,191,494
Short-term investments (Note 4)	1,637,000	47,000
Accounts receivable (Note 5)	114,381	681,826
Prepaid expenses	<u>309,461</u>	<u>320,164</u>
	2,805,770	2,240,484
Tangible capital assets (Note 6)	324,493	427,500
Intangible assets (Note 7)	<u>12,160</u>	<u>6,775</u>
	\$ 3,142,423	\$ 2,674,759
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 239,500	\$ 538,282
Deferred revenue (Note 9)	3,665,755	2,823,641
Current portion of accrued retirement benefit obligation (Note 10)	<u>12,500</u>	<u>25,000</u>
	3,917,755	3,386,923
Accrued retirement benefit obligation (Note 10)	185,337	172,837
Deferred capital contributions (Note 11)	<u>159,649</u>	<u>240,112</u>
	4,262,741	3,799,872
Net deficiency		
Unrestricted	<u>(1,120,318)</u>	<u>(1,125,113)</u>
	\$ 3,142,423	\$ 2,674,759

Commitment (Note 13)
Economic dependence (Note 17)
Subsequent events (Note 22)

On behalf of the board



Director



Director

Calgary Philharmonic Society

Statement of Revenue and Expenses

Year ended June 30 (With comparative figures for 2019)	2020	2019
Revenue		
Ticket sales	\$ 2,492,628	\$ 3,377,266
Sold services	<u>406,285</u>	<u>830,462</u>
	2,898,913	4,207,728
Government grants (Notes 9 and 22)	3,011,153	2,652,881
Donations, sponsorships and special events (Notes 9 and 14)	2,398,836	2,643,911
Calgary Philharmonic Orchestra Foundation Grant (Note 12)	2,330,000	2,800,000
Morningside Music Bridge Grant (Note 9)	1,189,668	1,198,523
Investment and other income (Note 11)	<u>151,654</u>	<u>174,525</u>
	11,980,224	13,677,568
Expenses		
Personnel (Notes 10 and 22)	6,856,407	7,087,106
Production (Notes 14 and 22)	2,425,321	3,441,308
Education and outreach (Note 14)	1,169,494	1,208,606
Marketing and ticketing (Notes 14 and 22)	812,833	1,217,294
Administrative	424,630	494,361
Fund development	157,797	285,168
Depreciation and amortization (Notes 6 and 7)	<u>128,947</u>	<u>133,762</u>
	11,975,429	13,867,605
Excess (deficiency) of revenue over expenses	<u>\$ 4,795</u>	<u>\$ (190,037)</u>

Calgary Philharmonic Society

Statement of Changes in Net Deficiency

Year ended June 30 (With comparative figures for 2019), 2020

	Unrestricted	Internally restricted (Note 16)	Net deficiency
Balance, June 30, 2018, as previously stated	\$ (464,748)	-	\$ (464,748)
Restatement of comparative information (Note 20)	<u>(470,328)</u>	<u>-</u>	<u>(470,328)</u>
Balance, June 30, 2018, as restated	(935,076)	-	(935,076)
Deficiency of revenue over expenses	<u>(190,037)</u>	<u>-</u>	<u>(190,037)</u>
Balance, June 30, 2019	(1,125,113)	-	(1,125,113)
Excess of revenue over expenses	<u>4,795</u>	<u>-</u>	<u>4,795</u>
Balance, June 30, 2020	<u>\$ (1,120,318)</u>	<u>-</u>	<u>\$ (1,120,318)</u>

Calgary Philharmonic Society

Statement of Cash Flows

Year ended June 30 (With comparative figures for 2019)

	2020	2019 (Restated Note 20)
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenses	\$ 4,795	\$ (190,037)
Items not affecting cash		
Restatement of comparative information (Note 20)	-	(470,328)
Depreciation and amortization	128,947	133,762
Amortization of deferred capital contributions	(80,463)	(88,925)
Accrued retirement benefit expense (Note 10)	25,000	15,709
Accrued retirement benefit payments (Note 10)	<u>(25,000)</u>	<u>(25,000)</u>
	53,279	(624,819)
Change in non-cash working capital items		
Accounts receivable	567,445	(582,462)
Prepaid expenses	10,703	73,885
Accounts payable and accrued liabilities	(298,782)	(210,259)
Deferred revenue	<u>726,907</u>	<u>(44,837)</u>
	<u>1,059,552</u>	<u>(1,388,492)</u>
Investing		
Proceeds from short term investments	47,000	114,817
Purchase of investments	(1,637,000)	-
Purchase of tangible capital assets	(16,125)	(21,283)
Proceeds on disposal of tangible capital assets	-	8,046
Purchase of intangible assets	(15,200)	-
Funds received for purchase of tangible capital assets	<u>115,207</u>	<u>5,753</u>
	<u>(1,506,118)</u>	<u>107,333</u>
Decrease in cash	(446,566)	(1,281,159)
Cash		
Beginning of year	<u>1,191,494</u>	<u>2,472,653</u>
End of year	<u>\$ 744,928</u>	<u>\$ 1,191,494</u>

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 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. Change in accounting policies

Effective July 1, 2019, the Society adopted the new standards in the Chartered Professional Accountants of Canada Handbook, Part III – Accounting for Not-for-Profit Organizations Sections 4433 (Tangible Capital Assets Held by Not-for-Profit Organizations) and 4441 (Collections Held by Not-for-Profit Organizations).

The adoption of Section 4433 resulted in a change to the Society's accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Also, in accordance with Section 4433, the Society's accounting policy with respect to impairment of tangible capital assets and intangible assets has been revised.

In accordance with the transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were not allocated to their component parts as of July 1, 2019, as based on management's assessment, there is no material impact upon adoption of this standard.

Section 4441 – Collections Held by Not-for-Profit Organizations had no impact on these financial statements as the Society does not maintain collections.

3. Significant accounting policies

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

The significant accounting policies used are as follows:

Cash

The Society's policy is to present bank balances under cash, 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 Society cannot use for current transactions as they are pledged as security, are excluded from cash.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

3. Significant accounting policies (continued)

Tangible capital assets and intangible assets

Purchased tangible capital assets and intangible assets are recorded at cost at the time of the acquisition. Contributed tangible capital assets and intangible assets are recorded at fair value at the date of the contribution. Subsequently, they are recorded at cost less accumulated amortization and any provision for impairment. If the cost of tangible capital assets is made up of separable component parts, such cost is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Tangible capital assets 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

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected, or its carrying value may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally expected

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 straight-line method.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

3. Significant accounting policies (continued)

Financial instruments (continued)

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 revenue and expenses.

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.

Deferred capital contributions are recognized as revenue on the same basis as amortization of the associated tangible capital asset 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, 2020 (With comparative figures for 2019)

3. 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 revenue and expenses during the reporting period. Items subject to measurement uncertainty in these financial statements include the estimated useful lives and service potential of tangible capital assets 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.

4. Short-term investments

Short-term investments consist of guaranteed investment certificates with a Canadian chartered bank that bear interest at rates ranging between 0.50% to 0.75% per annum (2019 - 1.85% to 2% per annum) that mature on varying dates in the following fiscal year, and a \$400,000 US (2019 - \$nil) term deposit that matures in August 2020.

5. Accounts receivable

Accounts receivable include Canadian Federal Government grants and subsidies aggregating \$66,030 (2019 - \$74,200).

6. Tangible capital assets

			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment and software	\$ 481,812	\$ 335,164	\$ 146,648	\$ 213,102
Music library, leasehold improvements and other	173,029	145,597	27,432	37,715
Office equipment and furniture	65,204	40,805	24,399	29,055
Other equipment	153,096	56,259	96,837	109,828
Instruments	218,132	188,955	29,177	37,800
	<u>\$ 1,091,273</u>	<u>\$ 766,780</u>	<u>\$ 324,493</u>	<u>\$ 427,500</u>

Included in depreciation and amortization expense in the statement of revenue and expenses in the year was amortization of \$119,132 (2019 - \$118,162) pertaining to tangible capital assets.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

7. Intangible assets

			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Website development costs	\$ 93,200	\$ 81,040	\$ 12,160	\$ 6,775

Included in depreciation and amortization expense in the statement of revenue and expenses in the year was depreciation of \$9,815 (2019 - \$15,600) pertaining to intangible assets.

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2019 - \$34,844) associated with government excise taxes.

9. Deferred revenue

Deferred revenue includes funds received in advance of services being provided by the Society for the Morningside Music Bridge ("MMB") Education Program, grants maintaining external restrictions received from various Municipal, Provincial and Federal granting agencies, ticket subscription and membership sales proceeds received in advance of programming and amounts received from the Calgary Philharmonic Orchestra Foundation (the "Foundation") for purchase of tangible capital assets.

A summary of deferred revenue as at the close of the fiscal year is as follows:

	<u>2020</u>	<u>2019</u> (Restated Note 20)
Education Program (a)	\$ 1,466,225	\$ 1,328,408
Municipal, Provincial and Federal Government grants (b)	1,206,922	277,443
Subscription sales and other	877,401	1,217,790
Foundation grant for capital purchases (c)	<u>115,207</u>	<u>-</u>
	<u>\$ 3,665,755</u>	<u>\$ 2,823,641</u>

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

9. Deferred revenue (continued)

- 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. Revenue recognized under this Program for the year totaled \$1,189,668 (2019 - \$1,198,523).
- b. Annually, the Society receives operating grants from various Municipal, Provincial and Federal granting agencies including Calgary Arts Development Authority Ltd., Alberta Foundation for the Arts, Canada Council for the Arts and other Provincial and Federal sources. Amounts received from these agencies in advance of the fiscal year to which the grant pertains, or that restrict expenditure for specified purposes, are recorded as deferred revenue until commencement of the future fiscal year or satisfaction of the applicable restrictions.

Included in government grants revenue in the statement of revenue and expenses are operating grants received from these agencies aggregating \$2,001,781 (2019 - \$2,652,881), and \$1,009,372 (2019 - \$nil) received from Federal sources in the form of wage subsidies (Note 22). Included in donations, sponsorships and special events revenue in the statement of revenue and expenses are funds received and expended in the year from Alberta Gaming, Liquor and Cannabis of \$109,166 (2019 - \$67,315).

- c. During the 2020 fiscal year, the Society received a grant restricted for the purchase of a piano in the amount of \$115,207, which has not yet been expended.

10. 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, 2020 was estimated as \$197,837 (2019 - \$197,837). During the year ended June 30, 2020, the Society paid \$25,000 (2019 - \$25,000) 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 \$25,000 (2019 - \$15,709).

Significant assumptions used in the measurement of the Society's accrued retirement benefit obligation at June 30, 2020 and 2019 are summarized below and included an estimated forfeiture percentage (attrition) of a musician's right to retirement benefits of nil (2019 - nil).

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

10. Accrued retirement benefit obligation (continued)

	<u>2020</u>	<u>2019</u>
Discount rate	7.0%	7.0%
Retirement age	65	65
Average age	43	44
Average years of service	15	16
Number of musicians	62	61

11. Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributed tangible capital assets. The changes in the deferred capital contributions balance are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 240,112	\$ 323,284
Additions	-	5,753
Amortization	<u>(80,463)</u>	<u>(88,925)</u>
Balance, end of year	<u>\$ 159,649</u>	<u>\$ 240,112</u>

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

12. 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 of the Board of Trustees of the Foundation. During the year the Society received operating grants from the Foundation in the amount of \$2,330,000 (2019 - \$2,800,000) that have been recorded as revenue in the statement of revenue and expenses. The Society also received grants restricted for the purchase of equipment in the amount of \$115,207 (2019 - \$nil), which have been recorded as deferred revenue in the statement of financial position. Amounts pledged by the Foundation as contributions to the Society and included in accounts receivable totaled \$nil (2019 - \$366,663). These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts receivable from the Foundation are non-interest bearing, unsecured and without specified payment terms.

13. Commitment

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

2021	\$ 75,900
2022	<u>6,300</u>
	<u>\$ 82,200</u>

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

14. Donated materials and services

Included in donations, sponsorships and special events revenue and production, education and outreach and marketing and ticketing expenses are amounts totaling \$472,854 (2019 - \$841,704), representing the fair value of materials and services donated to the Society.

15. 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 a first security interest in all present and after acquired personal property of the Society.

As at June 30, 2020, \$nil (2019 - \$nil) was drawn under the revolving, demand facilities.

16. 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 revenue, the Society has been unable to establish a cash reserve fund. Accordingly, as at June 30, 2020 and 2019, there is no such cash reserve.

17. Economic dependence

The Society received operating grant contributions from the Foundation during the year in the amount of \$2,330,000 (2019 - \$2,800,000). 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.

18. 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, short-term investments and accounts receivable. The Society mitigates its exposure to credit risk for its cash 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 management has assessed credit risk associated with its accounts receivable as low.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

18. Financial instruments (continued)

(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 established credit facilities (Note 15).

(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 restricted programming grants. Consequently, cash held by the Society is subject to fluctuations in foreign exchange rates. As at June 30, 2020, approximately \$731,000 (2019 - \$900,000) of the Society's cash was 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 fixed interest rate short-term investments, which subjects the Society to a fair value risk, and on its floating interest rate revolving, demand credit facilities, which subjects the Society to a cash flow risk.

19. 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 \$73,272 (2019 - \$136,928) and the total amount paid as remuneration to employees and contractors of the Society whose principal duties involved fundraising were \$397,953 (2019 - \$433,009).

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

20. Restatement of comparative information

During the 2020 year, the Society determined that amounts recognized as revenue from Provincial Government operating grants in previously issued financial statements prior to July 1, 2018 were overstated. This overstatement was the result of recognizing revenue from these operating grants consistent with the Provincial Government Agency's fiscal year, opposing the Society's fiscal year ending June 30, resulting from ambiguity inherent in associated grant agreement. Accordingly, the comparative figures presented in these financial statements have been adjusted as follows:

- (a) The unrestricted net deficiency previously reported as at July 1, 2018 of \$464,748 has been increased by \$470,328;
- (b) Accounts receivable previously reported as at June 30, 2019 of \$861,172 has been decreased by \$192,885; and
- (c) Deferred revenue previously reported as at June 30, 2019 of \$2,546,198 has been increased by \$277,443.

21. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

Calgary Philharmonic Society

Notes to the Financial Statements

June 30, 2020 (With comparative figures for 2019)

22. Subsequent events

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 to be a Public Health Emergency of International Concern. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In March 2020, the Alberta Government banned gatherings of 250 people or more. The Society immediately suspended all orchestral services, including concerts and rehearsals, and implemented public health official recommendations including closure of its premises to the general public and enhanced sanitization protocols to ensure the safety of all staff.

The Society also implemented an Emergency Response Plan (the "Plan"), which included:

- Education of staff on safety protocols including frequent hand washing and social distancing;
- Communicating with staff and musicians on a twice-weekly basis;
- Communicating with patrons to ensure their understanding and appreciation for discontinuation of services and programming options to the public;
- Providing ticket-holders of cancelled or deferred programming the option to receive a refund or credit for their purchase;
- Implementation of a remote work environment to ensure continuity of operations;
- Restructuring of staffing resources including reducing standard work hours; and
- Accessing Canadian Federal and Provincial Government grants and subsidies made available to qualifying organizations in response to COVID-19.

The Society's cancellation of approximately one-third of scheduled performances during the fiscal 2020 year as part of the Plan, resulted in corresponding reductions in production and marketing and ticketing expenses reported in the statement of revenue and expenses. The Society continued, however, to top-up and supplement government wage subsidies received to ensure the welfare and well-being of its staff and musicians. Included in government grants revenue in the statement of revenue and expenses is \$1,009,372 received from the Canadian Federal Government in the form of wage subsidies.

While governments and central banks have reacted with fiscal and monetary interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of operations of the Society for future periods.
