

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Financial Statements**  
**And Independent Auditors' Report thereon**  
**Year Ended June 30, 2021**

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**

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**Year Ended June 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Members of The Calgary Philharmonic Orchestra Foundation

### ***Opinion***

We have audited the financial statements of The Calgary Philharmonic Orchestra Foundation (the Entity), which comprise:

- the statement of financial position as at June 30, 2021;
- the statement of changes in endowment fund balance for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2021, 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.



We are independent of the Entity 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.

***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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada

November 10, 2021

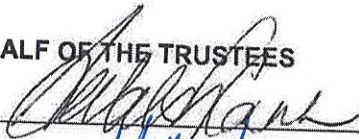
**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**


**Statement of Financial Position**

**June 30, 2021, with comparative information for 2020**

	2021	2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 41,559	\$ 31,060
GST rebates recoverable	1,080	1,921
Prepaid expenses	700	700
	43,339	33,681
Investments (Note 3)	43,220,192	36,887,635
Cash surrender value of life insurance (Note 4)	48,323	48,323
	\$ 43,311,854	\$ 36,969,639
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 37,889	\$ 41,136
<b>ENDOWMENT FUND</b>		
Endowment fund balance (Note 5)	43,273,965	36,928,503
	\$ 43,311,854	\$ 36,969,639

ON BEHALF OF THE TRUSTEES

  
 \_\_\_\_\_ Trustee

  
 \_\_\_\_\_ Trustee

See notes to financial statements

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Statement of Changes in Endowment Fund Balance**  
**Year Ended June 30, 2021, with comparative information for 2020**

	2021	2020
<b>Revenues</b>		
Donations (Note 6)	\$ 1,714,326	\$ 1,454,925
Investment income (Note 7)	2,622,735	3,561,302
Canada Cultural Investment Fund Endowment Incentives Grant	664,309	660,115
	<u>5,001,370</u>	<u>5,676,342</u>
<b>Expenses</b>		
Management fees	94,414	88,999
Professional fees	23,370	17,649
Administration	13,979	11,897
Insurance	2,415	2,100
	<u>134,178</u>	<u>120,645</u>
<b>Income before other items</b>	<u>4,867,192</u>	<u>5,555,697</u>
<b>Other income (expenses)</b>		
Unrealized gain (loss) on investments	3,278,270	(2,285,244)
Decrease in cash surrender value of life insurance	-	(3,961)
	<u>3,278,270</u>	<u>(2,289,205)</u>
<b>Income before contribution to the Calgary Philharmonic Society</b>	<u>8,145,462</u>	<u>3,266,492</u>
<b>Contribution to the Calgary Philharmonic Society</b>	<u>(1,800,000)</u>	<u>(2,445,207)</u>
<b>Increase in endowment fund balance</b>	<u>6,345,462</u>	<u>821,285</u>
<b>Endowment fund balance - beginning of year</b>	<u>36,928,503</u>	<u>36,107,218</u>
<b>Endowment fund balance - end of year</b>	<u>\$ 43,273,965</u>	<u>\$ 36,928,503</u>

See notes to financial statements

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021, with comparative information for 2020**

	2021	2020
<b>Financing activities</b>		
Donations ( <i>Note 6</i> )	\$ 1,491,187	\$ 1,001,127
Canada Cultural Investment Endowment Fund Incentives Grant	664,309	660,115
Contribution to the Calgary Philharmonic Society	<u>(1,800,000)</u>	<u>(2,647,045)</u>
Cash flow from (used by) financing activities	<u>355,496</u>	<u>(985,803)</u>
<b>Investing activities</b>		
Investment income earned	1,173,725	1,015,404
Expenses, net of GST recoveries	(137,411)	(119,667)
Proceeds on sale of investments	17,605,109	23,623,321
Purchase of investments	<u>(18,986,420)</u>	<u>(23,514,533)</u>
Cash flow (used by) from investing activities	<u>(344,997)</u>	<u>1,004,525</u>
<b>Increase in cash flow</b>	<b>10,499</b>	<b>18,722</b>
<b>Cash - beginning of year</b>	<u><b>31,060</b></u>	<u><b>12,338</b></u>
<b>Cash - end of year</b>	<u><b>\$ 41,559</b></u>	<u><b>\$ 31,060</b></u>

See notes to financial statements



**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021, with comparative information for 2020**

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**1. Description of organization**

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. Summary of 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. 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 and do not include any significant estimates.

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.

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Alberta resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

As at the date of the report, no funder had indicated, either formally or informally, funding levels would be negatively impacted by the COVID-19 outbreak.

The COVID-19 outbreak presents uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. The investment portfolio of the Foundation has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves. An estimate of the financial effect is not practicable at this time.

Revenue recognition

Investment income consisting of distributions from mutual funds is recognized on an 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 by the Foundation, are recognized as direct increases in the Endowment Fund balance.

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**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021, with comparative information for 2020**

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**2. Summary of significant accounting policies (continued)**

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.

Cash

Cash consists of cash on deposit with a major Canadian financial institution.

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. Decreases in the cash surrender value are deducted directly from 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.

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.

Financial instruments

Financial instruments are recorded at fair value on origination, issuance or assumption, adjusted, in the case of financial instruments that will not be measured subsequently at fair value, by financing fees and transaction costs. Such financing fees and transaction costs are amortized using the straight-line method. Transaction costs incurred on the acquisition of financial instruments which are measured subsequently at fair value are expensed as incurred.

Subsequent to initial recognition, investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value of such investments are recognized in the Statement of Changes in Endowment Fund Balance in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. In that situation, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset, in which case the carrying value of the financial asset is reduced to the highest of (i) the present value of the expected cash flows, (ii) the amount that could be realized from selling the financial asset, or (iii) the amount the Foundation 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.

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021, with comparative information for 2020**

**3. Investments**

	2021 Cost	2021 Market value	2020 Cost	2020 Market value
Mutual Funds:				
Equities	\$ 27,155,022	\$ 32,568,219	\$ 21,049,602	\$ 22,799,381
Bonds	9,827,635	10,013,013	11,847,780	12,418,305
Money Market	638,961	638,960	1,669,949	1,669,949
	<u>\$ 37,621,618</u>	<u>\$ 43,220,192</u>	<u>\$ 34,567,331</u>	<u>\$ 36,887,635</u>

At June 30, 2021, the weighted average term to maturity of the bonds mutual fund portfolio was 6.3 years (June 30, 2020 - 5.5 years), and the weighted average yield to maturity of that portfolio was 2.5% (June 30, 2020 - 1.7%).

**4. Cash surrender value of life insurance**

At June 30, 2021, the death benefits payable under the life insurance policies owned by the Foundation amounted to \$228,313 (June 30, 2020 - \$228,313), which was \$179,990 (June 30, 2020 - \$179,990) in excess of the cash surrender value of those policies. The excess has not been recorded in the financial statements of the Foundation.

**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, 2021, the Foundation has received \$11,567,105 (2020 - \$10,902,796) in Endowment Incentives Grants, and is therefore required to maintain \$23,134,210 (2020 - \$21,805,592) in the Endowment Fund.

**6. Donations**

Donations consist of:

	2021	2020
Cash	\$ 1,491,187	\$ 1,001,127
Securities	223,139	453,798
	<u>\$ 1,714,326</u>	<u>\$ 1,454,925</u>

As at June 30, 2021, donations of cash and securities received from the Trustees of the Foundation amounted to \$1,225 (June 30, 2020 - \$100,500).

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021, with comparative information for 2020**

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**7. Investment income**

Investment income consists of:

	2021	2020
Realized gain on sale of investments	\$ 1,449,010	\$ 2,545,898
Mutual funds	780,246	545,350
Bonds	386,077	441,860
Money market	7,402	28,194
	\$ 2,622,735	\$ 3,561,302

**8. Financial instruments**

The Foundation's financial instruments consist of cash, investments, cash surrender value of life insurance, and accounts payable and accrued liabilities. The carrying value of financial assets (other than investments, which are measured at fair market value) and liabilities held at June 30, 2021 approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The Foundation's financial position and cash flows are exposed to movements in interest rates and foreign exchange rates as well as credit risk relative to the Foundation's investments. The following summarizes the nature of the risks to which the Foundation is exposed and the risk management approach used to mitigate them.

**(a) Liquidity risk**

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Foundation aims to retain a sufficient cash position to maintain liquidity.

**(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, 2021 represents approximately 55% (June 30, 2020 - 50%) of the total market value of the Foundation's investments, invest predominantly in US and other foreign equity securities, on an unhedged basis.

*(continues)*

**THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021, with comparative information for 2020**

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**8. Financial instruments (*continued*)**

**(d) 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.

The Foundation is exposed to credit risk relating to its cash. The risk is mitigated as cash is deposited with a major Canadian bank.

There is no change in risk exposure from 2021 except for the possible effects as described above in note 2 with respect to the COVID pandemic.

**9. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the current year's presentation for investment income and other revenue (expenses).

