THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Financial Statements

And Independent Auditors' Report thereon

Year Ended June 30, 2022

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION
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Year Ended June 30, 2022

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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, 2022;
- the statement of operations and 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, 2022, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

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

September 28, 2022

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION
Statement of Financial Position
June 30, 2022, with comparative information for 2021

	2022	2021
ASSETS		
Current		
Cash	**$ 512,390**	$ 41,559
GST rebates recoverable	**2,155**	1,080
Prepaid expenses	**700**	700
	515,245	43,339
Investments *(Note 3)*	**39,251,367**	43,220,192
Cash surrender value of life insurance *(Note 4)*	**48,323**	48,323
	$ 39,814,935	$ 43,311,854
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 17,002**	$ 37,889
Due to the Calgary Philharmonic Society	**500,000**	-
	517,002	37,889
ENDOWMENT FUND		
Endowment fund balance *(Note 5)*	**39,297,933**	43,273,965
	$ 39,814,935	$ 43,311,854

ON BEHALF OF THE TRUSTEES

Ryan Stasynec ______________________ *Trustee*

______________________ *Trustee*

See notes to financial statements

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION
Statement of Operations and Changes in Endowment Fund Balance
Year Ended June 30, 2022, with comparative information for 2021

	2022	2021
Revenues		
Donations *(Note 6)*	**$ 1,427,533**	$ 1,714,326
Investment income *(Note 7)*	**3,006,366**	2,622,735
Canada Cultural Investment Fund Endowment Incentives Grant	**544,878**	664,309
	4,978,777	5,001,370
Expenses		
Management fees	**62,561**	94,414
Professional fees	**30,558**	23,370
Administration	**15,536**	13,979
Insurance	**2,415**	2,415
	111,070	134,178
Income before other items	**4,867,707**	4,867,192
Other income (expenses)		
Unrealized gain (loss) on investments	**(6,238,739)**	3,278,270
Income (loss) before contribution to the Calgary Philharmonic Society	**(1,371,032)**	8,145,462
Contribution to the Calgary Philharmonic Society	**(2,605,000)**	(1,800,000)
Excess (deficiency) of revenues over expenses	**(3,976,032)**	6,345,462
Endowment fund balance - beginning of year	**43,273,965**	36,928,503
Endowment fund balance - end of year	**$ 39,297,933**	$ 43,273,965

See notes to financial statements

THE CALGARY PHILHARMONIC ORCHESTRA FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2022, with comparative information for 2021

	2022	2021
Operating activities		
Donations *(Note 6)*	**$ 1,149,704**	$ 1,491,187
Contribution to the Calgary Philharmonic Society	**(2,105,000)**	(1,800,000)
Expenses, net of GST recoveries	**(131,974)**	(137,411)
Cash flow used by operating activities	**(1,087,270)**	(446,224)
Financing activities		
Canada Cultural Investment Endowment Fund Incentives Grant	**544,878**	664,309
Cash flow from financing activities	**544,878**	664,309
Investing activities		
Investment income earned	**2,200,141**	1,173,725
Proceeds on sale of investments	**9,728,838**	17,605,109
Purchase of investments	**(10,915,756)**	(18,986,420)
Cash flow from (used by) investing activities	**1,013,223**	(207,586)
Increase in cash flow	**470,831**	10,499
Cash - beginning of year	**41,559**	31,060
Cash - end of year	**$ 512,390**	$ 41,559

See notes to financial statements

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.

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.

<u>Use of estimates</u>

Management is required to make estimates and assumptions within the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities at the date of the financial statements and the revenues and expenses during the reporting period.

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 of the Foundation's investments. 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.

There were no other significant estimates identified by management.

<u>Revenue recognition</u>

Investment income consisting of distributions from mutual funds is recognized as revenue on settlement date.

The Foundation follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the year to which it relates when expenses are incurred. Unrestricted contributions are recognized as revenue when received or when receiveable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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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 on settlement date. Net valuation gains or losses, realized and unrealized, are recognized in the statement of operations. 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 of life insurance are recognized as an expense on the statement of operations. 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 recognized as income on the statement of operations.

Donations in kind and contributed services

Donations in kind are accounted for as donations revenue at their fair value, as determined at the date of the donation. Because of the difficulty of determining their fair value, contributed services of time 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 operations 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.

3. Investments

	2022 Cost	2022 Market value	2021 Cost	2021 Market value
Mutual Funds:				
Equities	**$26,789,720**	**$27,416,826**	$27,155,022	$32,568,219
Bonds	**12,169,144**	**10,901,875**	9,827,635	10,013,013
Money Market	**932,666**	**932,666**	638,961	638,960
	$39,891,530	**$39,251,367**	$37,621,618	$43,220,192

4. Cash surrender value of life insurance

At June 30, 2022, the death benefits payable under the life insurance policies owned by the Foundation amounted to $228,313 (June 30, 2021 - $228,313), which was $179,990 (June 30, 2021 - $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, 2022, the Foundation has received $12,111,983 (2021 - $11,567,105) in Endowment Incentives Grants, and is therefore required to maintain $24,223,966 (2021 - $23,134,210) in the Endowment Fund.

6. Donations

Donations consist of:

	2022	2021
Cash	**$ 1,149,704**	$ 1,491,187
Securities	**277,829**	223,139
	$ 1,427,533	$ 1,714,326

7. Investment income

Investment income consists of:

	2022	2021
Dividends	$ **2,198,098**	$ 1,173,193
Realized gain on sale of investments	**806,225**	1,449,010
Interest	**2,043**	532
	$ **3,006,366**	$ 2,622,735

8. Financial instruments

The Foundation's financial instruments consist of cash, investments, cash surrender value of life insurance, accounts payable and accrued liabilities, and due to the Calgary Philharmonic Society. The carrying value of financial assets (other than investments, which are measured at fair market value) and liabilities held at June 30, 2022 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. Liquidity risk is considered minimal due to a substantial amount of the Foundation's liabilities being discretionary in nature.

(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, 2022 represents approximately 46% (June 30, 2021 - 55%) of the total market value of the Foundation's investments, invest predominantly in US and other foreign equity securities, on an unhedged basis.

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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 managers in accordance with guidelines 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.

(e) Market risk

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates, and general price fluctuations related to market conditions will affect the Foundation’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

There is no change in risk exposure from 2021.

9. Comparative figures

Certain comparative information has been reclassified to conform with current year presentation.