

Edmonton Symphony Society
Financial Statements
June 30, 2015

Management's Responsibility

To the Members of the Edmonton Symphony Society:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Society's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 14, 2015



Executive Director



Director of Finance & Operations

Independent Auditors' Report

To the Members of the Edmonton Symphony Society:

We have audited the accompanying financial statements of Edmonton Symphony Society, which comprise the statement of financial position as at June 30, 2015 and the statements of operations and changes in operating fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Edmonton Symphony Society derives revenue from the general public in the form of patron donations and corporate sponsorships the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Edmonton Symphony Society. Therefore, we were not able to determine whether any adjustments might be necessary to patron donations and corporate sponsorships, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2015 and 2014, current assets as at June 30, 2015 and 2014, and fund balances as at July 1 and June 30 for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Edmonton Symphony Society as at June 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta

October 14, 2015

MNP LLP
Chartered Accountants

Edmonton Symphony Society Statement of Financial Position

As at June 30, 2015

| | 2015 | 2014 |
|------------------------------------------------------------------|------------------|-----------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | 433,975 | 156,967 |
| Accounts receivable | 422,772 | 384,293 |
| Prepaid expenses | 160,426 | 289,422 |
| Due from Francis Winspear Centre for Music (Note 9) | 4,170 | 344,123 |
| Due from Edmonton Symphony & Concert Hall Foundation (Note 9) | 71,653 | - |
| | 1,092,996 | 1,174,805 |
| Capital assets (Note 3) | 702,414 | 643,805 |
| Managed investments (Note 4) | 1,371,983 | 1,209,531 |
| Investment in Francis Winspear Centre for Music (Note 5) | 100 | 100 |
| Investment in limited partnership (Note 6) | 15,000 | 15,000 |
| | 3,182,493 | 3,043,241 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals (Note 7) | 227,876 | 278,044 |
| Deferred revenue (Note 8) | 2,338,704 | 2,109,320 |
| | 2,566,580 | 2,387,364 |
| Contingencies (Note 12) | | |
| Commitments (Note 13) | | |
| Fund Balances | | |
| Operating fund | 2,186 | 2,150 |
| Internally restricted | 613,727 | 653,727 |
| | 615,913 | 655,877 |
| | 3,182,493 | 3,043,241 |

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Edmonton Symphony Society
Statement of Operations and
Changes in Operating Fund Balance
For the year ended June 30, 2015

| | 2015 | 2014 |
|---------------------------------------------------------|------------------|------------------|
| Revenue | | |
| Ticket Sales | 3,418,092 | 3,728,954 |
| Patron donations and special events | 1,571,630 | 1,304,227 |
| Box office agency fee revenue <i>(Note 5), (Note 9)</i> | 755,303 | 632,161 |
| Grant revenue | 2,379,545 | 2,537,455 |
| Corporate sponsorships <i>(Note 14)</i> | 691,862 | 651,593 |
| Endowment | 202,072 | 126,410 |
| Foundations | 52,523 | 101,918 |
| Contract services | 563,530 | 533,111 |
| Investment income | 107,877 | 142,602 |
| Other income | 41,364 | 29,092 |
| | 9,783,798 | 9,787,523 |
| Artistic operations | | |
| Musicians | 4,148,067 | 4,119,260 |
| Conductors and guest artists | 1,375,224 | 1,519,716 |
| Artistic overhead and library | 756,795 | 865,509 |
| Production expenses | 720,110 | 358,902 |
| Event management | | |
| Box office expenses | 722,138 | 769,072 |
| Patron relations | | |
| Core patron expenses | 533,887 | 514,624 |
| Individual ticket sales | 255,642 | 255,874 |
| Patron donations | 11,864 | 9,997 |
| Special events | 8,992 | 27,803 |
| Community relations | | |
| Community relations | 293,887 | 263,760 |
| Education and outreach | | |
| Education and outreach | 381,619 | 300,234 |
| Finance and operations | | |
| Administration expenses <i>(Note 5), (Note 9)</i> | 615,537 | 738,152 |
| Total expenses | 9,823,762 | 9,742,903 |
| Excess (deficiency) of revenue over expenses | (39,964) | 44,620 |
| Operating fund balance, beginning of year | 2,150 | 2,530 |
| Transfer from (to) internally restricted fund | 40,000 | (45,000) |
| Operating fund balance, end of year | 2,186 | 2,150 |

The accompanying notes are an integral part of these financial statements

Edmonton Symphony Society
Statement of Cash Flows
For the year ended June 30, 2015

| | 2015 | 2014 |
|-------------------------------------------------------------------|------------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess (deficiency) of revenue over expenses | (39,964) | 44,620 |
| Unrealised market appreciation | - | (107,320) |
| Non-cash donations | (54,575) | - |
| | (94,539) | (62,700) |
| Changes in working capital accounts | | |
| Increase in accounts receivable | (38,479) | (227,138) |
| Decrease (increase) in prepaid expenses and deposits | 128,996 | (219,703) |
| Increase (decrease) in accounts payable and accruals | (50,168) | 58,897 |
| Increase (decrease) in deferred revenue | 229,384 | (365,758) |
| Increase (decrease) in due from Francis Winspear Centre for Music | 339,953 | (399,608) |
| Increase in due from Edmonton Symphony Concert Hall Foundation | (71,653) | - |
| | 443,494 | (1,216,010) |
| Investing | | |
| Purchase of capital assets | (58,609) | (84,339) |
| Reinvested investment earnings | (107,877) | (35,282) |
| | (166,486) | (119,621) |
| Increase (decrease) in cash resources | 277,008 | (1,335,631) |
| Cash resources, beginning of year | 156,967 | 1,492,598 |
| Cash resources, end of year | 433,975 | 156,967 |

The accompanying notes are an integral part of these financial statements

1. Organization

The Edmonton Symphony Society (the "Society") is registered under the Societies Act of Alberta. The primary purpose of the Society is to provide symphonic music to the citizens of Edmonton and surrounding area. The Society is a registered charitable organization under the Income Tax Act of Canada and, as such, is exempt from income tax.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Fund accounting

The Society maintains two funds in accordance with the principles of fund accounting: internally restricted fund and operating fund.

- a) The internally restricted fund is maintained in response to Alberta Foundation for the Arts guidelines. The Society has internally restricted funds representing the amount transferred to the Society in 2004 from the windup of the Edmonton Symphony Foundation. The assets of this fund are held within the managed investments. All income generated by these investments is recognized in the Operating Fund.
- b) Operating fund includes ongoing operating activities of the Society.

Revenue recognition

Revenue from subscription sales, individual ticket sales and contract services are recognized in the year in which the concert is performed. Box office fee revenue is recognized at the time a ticket is purchased.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and recognized as the related asset is amortized. 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.

Pledges are recorded in the year as private donations if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Contributed services are recorded at fair value when such value can be reasonably estimated and the services are used in the normal course of operations and would otherwise have been purchased.

Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services; however, because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Managed investments

Managed investments consist of bonds, debentures and equities which are all traded in the public markets. Managed investments are recorded at fair value, with changes to fair value recorded as investment income or loss. The Society's investment policy prescribes the investment asset mix, including the degree of liquidity and concentration, the amount of foreign content and the credit ratings of debt issuers.

2. **Significant accounting policies** (Continued from previous page)

Capital assets

Capital assets are recorded at cost. Amortization is provided for using rates intended to amortize the costs over the estimated useful lives of the assets. The rates of amortization used are:

| | |
|---------------------|---------------|
| Music library | Not amortized |
| Musical instruments | Not amortized |
| Artwork | Not amortized |

The music library and musical instruments were restated at replacement value during the year ended May 31, 1979. Subsequent additions have been recorded at cost. The contents of the music library and the musical instruments do not depreciate and, accordingly, no provision for depreciation has been recorded in the financial statements.

When a capital asset no longer contributes to the Society's ability to provide services, the carrying amount is written down to residual value. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

Investment in limited partnership

The Society accounts for its investment in Alberta Satellite Bingo Limited Partnership at cost.

Investment in Francis Winspear Centre for Music

The Society owns a 100% interest in the Francis Winspear Centre for Music (the "Centre") and provides it with administration and accounting services. The Centre is a non-profit charitable organization incorporated under the Alberta Companies Act and a registered charity under the Income Tax Act. The Centre's purpose is to promote the operation of the Concert Hall.

The Centre has not been consolidated in the Society's financial statements. The Society accounts for this investment at cost.

Employee future benefits

The Society sponsors two defined contribution group retirement savings plans for employees and musicians. The cost of the plans, representing the Society's contributions in accordance with the plan agreements, is recorded in expenses for the year during which the services are rendered. The costs of the plan for 2015 was \$386,002 (2014 - \$376,315).

Allocation of expenses

Salary expenses are allocated based on the time contributed to each function by staff member.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 *Related Party Transactions* (refer to Note 9).

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. No such election has occurred in the current year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Measurement uncertainty (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.

Accounts receivable, Due from Francis Winspear Centre for Music, and Due from Edmonton Symphony & Concert Hall Foundation are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Capital assets

| | <i>Cost</i> | <i>2015 Net book value</i> | <i>2014 Net book value</i> |
|---------------------|----------------|------------------------------------|------------------------------------|
| Music library | 404,613 | 404,613 | 365,088 |
| Musical instruments | 293,701 | 293,701 | 274,617 |
| Artwork | 4,100 | 4,100 | 4,100 |
| | 702,414 | 702,414 | 643,805 |

4. Managed investments

During fiscal 2010, the Society authorized the transfer to ESCH Foundation of all short-term marketable securities in order to consolidate the management of the investments. The funds administered and managed by ESCH Foundation, pursuant to an agreement dated June 24, 2010 at year end totaled \$1,371,983 (2014 - \$1,209,531). These funds are still assets of the Society, and therefore presented as assets within the Society's financial statements.

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2015

5. Investment in Francis Winspear Centre for Music

As the Francis Winspear Centre for Music (the "Centre") is not consolidated with the Society's statements, the following summarized statements of the Centre are included for informational purposes only.

| | 2015 | 2014 |
|-------------------------------------------------------------|-----------------------|-----------------------|
| | <i>(\$ thousands)</i> | <i>(\$ thousands)</i> |
| Francis Winspear Centre for Music Financial Position | | |
| Total assets | 33,943 | 34,482 |
| Total liabilities | 1,344 | 1,399 |
| Total net assets | 32,599 | 33,083 |
| | 33,943 | 34,482 |
| Results of Operations | | |
| Total revenue | 4,712 | 6,587 |
| Total expenses | (5,196) | (4,860) |
| Excess (deficiency) of revenue over expenses | (484) | 1,727 |
| Comprised of: | | |
| Operating fund | 50 | 70 |
| Capital fund | (1,156) | 637 |
| Endowment fund | 622 | 1,020 |
| | (484) | 1,727 |
| Cash Flows | | |
| Cash from operations | 993 | 2,088 |
| Cash used in financing and investing activities | (764) | (2,463) |
| Increase (decrease) in cash resources | 229 | (375) |

6. Investment in Limited Partnership

The Society has a 1.25% interest in Alberta Satellite Bingo Limited Partnership.

7. Accounts payable and accruals

Included in accounts payable and accruals is \$16,937 (2014 - \$5,922) of government remittances.

8. Deferred revenue

Deferred revenue consists of advance ticket sales made during the current year for the 2015-2016 season and operating grants received in the current year related to 2015-2016 events.

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2015

9. Due from related parties

The Society box office collected a facility fee on tickets sold on behalf of the Centre, amounting to \$360,468 (2014 - \$289,833). Under current agreements with the Centre, the Society paid \$281,163 (2014 - \$344,560) to the Centre in respect of office space and hall rental fees. Finance and administrative services are shared between the Society and the Centre, and the related costs are allocated between the parties. These amounts are included in expenses on the statement of operations and changes in operating fund balance.

In addition to the above transactions, the following services are provided between the Society and the Centre for which no amount is recorded. The Society solely operates the box office and charges a provision to the Centre for administrative support provided by the box office staff, which relates to ticket sales for Concert Hall events. In addition, the Centre provided the use of box office hardware at no cost to the Society.

As a result of the above transactions, at June 30, 2015, there is \$4,170 receivable (2014 - \$344,123) from the Centre. These amounts are unsecured, bear no interest and have no specified terms of repayment.

The Foundation manages investments on behalf of the Centre as disclosed in Note 4 that requires transfers between entities to occur. In addition to these transfers, non-cash donations from the Foundation in the amount \$77,841 (2014 - \$37,251) occurred in the year as well as a management fee of \$11,188 (2014 - \$nil). As a result of these transactions, at June 30, 2015 there is \$71,653 (2014 - \$nil) receivable from the Foundation. These amounts are unsecured, bear no interest and have no specified terms of repayment.

The above transactions occurred in the normal course of business and were measured at exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Allocation of expenses

Total salary expenses including musicians amount to \$5,928,680 (2014 - \$6,264,005) and are allocated as follows:

| | 2015 | 2014 |
|------------------------|-----------|-----------|
| Artistic operations | 4,640,123 | 4,528,772 |
| Event management | 368,469 | 470,901 |
| Finance and operations | 329,538 | 488,810 |
| Patron relations | 316,639 | 320,348 |
| Community relations | 273,911 | 455,174 |
| | 5,928,680 | 6,264,005 |

11. Line of credit

The Society has an authorized line of credit of \$500,000 bearing interest at prime, of which \$nil was outstanding at year-end (2014 - \$nil). Any bank indebtedness position arising during the year is secured by a general security agreement.

12. Contingencies

Various legal claims have been filed against the Society for matters for which the outcome is not determinable at this time. When the outcomes of the claims are determined, the amount, if any, in excess of provisions will be expensed in the year of determination.

13. Commitments

The Society leases its office premises located at the Centre from the Centre. The latest agreement expires June 30, 2018. Total commitment remaining under the agreement is \$130,068. The committed payments over the next four years are as follows

| | |
|------|---------|
| 2016 | 43,356 |
| 2017 | 43,356 |
| 2018 | 43,356 |
| | |
| | 130,068 |

The Society leases office equipment (photocopiers and mail machines) to conduct the affairs of the organization. The committed payments over the next five years are as follows:

| | |
|------|--------|
| 2016 | 27,458 |
| 2017 | 26,784 |
| 2018 | 24,358 |
| 2019 | 15,579 |
| | |
| | 94,179 |

Other Commitments

Expenditures are committed for the services of conductors, guest artists and International Alliance of Theatrical State Employees ("IATSE"). The latest agreement with IATSE expires June 30, 2017. The commitment is estimated to be approximately \$1,562,800 for the 2015-2016 operating season (2014-2015 actual of \$1,568,192).

The Society is committed to 291 services for the 2015-2016 season pursuant to its agreement with Local 390 of the American Federation of Musicians of the United States and Canada which expires September 9, 2018. The expenditure commitment in 2015-2016 for service fees for the 56 core musicians under this agreement is \$2,806,500 (2014-2015 actual of \$2,998,335).

14. Contributed services

The Society receives substantial contributed services during the normal course of operations. These contributed services are recognized in the financial statements as corporate sponsorships based on the fair value at the date the contribution is made. Total services contributed to the Society in 2015 amounted to \$494,159 (2014 - \$494,750), consisting primarily of media advertising.

15. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through maintaining interest based investments until maturity.

14. Financial instruments *(Continued from previous page)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's managed investments in publicly-traded securities and corporate bonds exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of accounts receivable from donors or grants, and the related party balances. Historically, the Centre had not experienced significant losses related to receivables.

Foreign currency risk

Foreign 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 enters into transactions to purchase, sell and earn income from its investment portfolio denominated in US Dollar (US\$) currency for which the related investment income and expenses are subject to exchange rate fluctuations. As at June 30, 2015, the following items are denominated in US Dollar currency:

| | 2015 | 2014 |
|-------------|---------------|--------------|
| | CAD\$ | CAD\$ |
| Cash | 23,112 | 9,853 |
| Investments | - | 372,102 |

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.