

Francis Winspear Centre for Music
Financial Statements
June 30, 2015

Management's Responsibility

To the Members of the Francis Winspear Centre for Music:

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 Organization. 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 Organization'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 and Operations

Francis Winspear Centre for Music Statement of Financial Position

As at June 30, 2015

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Endowment Fund</i>	2015	2014
Assets					
Current					
Cash and cash equivalents	376,381	-	-	376,381	147,792
Accounts receivable	280,971	-	-	280,971	353,743
Prepaid expenses and deposits	117,058	-	-	117,058	61,050
Inventory	38,137	-	-	38,137	31,373
Due from Edmonton Symphony & Concert Hall Foundation (Note 5)	201,358	-	-	201,358	-
Due (to) from other funds	1,875,063	(1,904,095)	29,032	-	-
	2,888,968	(1,904,095)	29,032	1,013,905	593,958
Capital assets (Note 3)	-	25,630,048	-	25,630,048	25,312,864
Managed investments (Note 4)	-	-	7,299,808	7,299,808	8,575,692
	2,888,968	23,725,953	7,328,840	33,943,761	34,482,514
Liabilities					
Current					
Accounts payable and accruals	565,471	-	-	565,471	422,829
Deferred contributions	302,332	-	-	302,332	134,497
Deferred contributions for capital maintenance	-	-	-	-	83,323
Due to Edmonton Symphony Society (Note 5)	4,170	-	-	4,170	344,123
Third party ticket sales (Note 6)	472,111	-	-	472,111	414,314
	1,344,084	-	-	1,344,084	1,399,086
Commitments (Note 9)					
Contingencies (Note 10)					
Net Assets					
Share capital (Note 11)	100	-	-	100	100
Contributed surplus	1,634	-	-	1,634	1,634
Fund balances	1,543,150	23,725,953	7,328,840	32,597,943	33,081,694
	1,544,884	23,725,953	7,328,840	32,599,677	33,083,428
	2,888,968	23,725,953	7,328,840	33,943,761	34,482,514

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Francis Winspear Centre for Music
Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2015

	Operating Fund		Capital Fund		Endowment Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue								
Individual ticket sales - Winspear Presents	483,625	251,436	-	-	-	-	483,625	251,436
Patron donations	28,638	52,695	-	-	-	-	28,638	52,695
Corporate sponsorships (Note 12)	86,300	62,115	-	4,906	-	-	86,300	67,021
Grant revenue	294,927	480,786	75,000	1,850,000	-	-	369,927	2,330,786
Facility (Note 5)	569,012	728,366	-	-	-	-	569,012	728,366
Patron services personnel	468,900	382,473	-	-	-	-	468,900	382,473
Bar, concession, merchandise	691,954	582,905	-	-	-	-	691,954	582,905
Stage production	454,290	370,289	-	-	-	-	454,290	370,289
Parking	572,648	484,478	-	-	-	-	572,648	484,478
Miscellaneous revenue (expense)	13,500	5,349	-	-	-	-	13,500	5,349
Capital replacement fund	349,955	295,521	-	-	-	-	349,955	295,521
Investment income	-	-	1,979	13,162	621,724	1,020,086	623,703	1,033,248
Donation in-kind	-	2,470	-	-	-	-	-	2,470
	4,013,749	3,698,883	76,979	1,868,068	621,724	1,020,086	4,712,452	6,587,037
Expenses								
Core patron	119,767	161,255	-	-	-	-	119,767	161,255
Individual ticket sales	58,499	24,818	-	-	-	-	58,499	24,818
Education and outreach	-	31,625	-	-	-	-	-	31,625
Special events	4,246	-	-	-	-	-	4,246	-
Community relations	105,618	74,101	-	-	-	-	105,618	74,101
Branding and overhead	25,121	31,439	-	-	-	-	25,121	31,439
Stage production	632,949	483,179	-	-	-	-	632,949	483,179
Patron services personnel	515,052	554,420	-	-	-	-	515,052	554,420
Bar, concession, merchandise	212,370	184,857	-	-	-	-	212,370	184,857
Facility	1,155,649	1,170,122	50,650	50,000	-	-	1,206,299	1,220,122
Artistic	362,170	182,909	-	-	-	-	362,170	182,909
Administration (Note 5)	771,956	730,536	-	-	-	-	771,956	730,536
Amortization	-	-	1,182,156	1,180,958	-	-	1,182,156	1,180,958
	3,963,397	3,629,261	1,232,806	1,230,958	-	-	5,196,203	4,860,219
Excess (deficiency) of revenue over expenses	50,352	69,622	(1,155,827)	637,110	621,724	1,020,086	(483,751)	1,726,818
Opening fund balance, beginning of year	1,346,380	1,188,024	24,721,780	23,924,670	7,013,534	6,242,182	33,081,694	31,354,876
Transfer from endowment fund	306,418	248,734	-	-	(306,418)	(248,734)	-	-
Transfer to capital fund	(160,000)	(160,000)	160,000	160,000	-	-	-	-
Closing fund balance, end of year	1,543,150	1,346,380	23,725,953	24,721,780	7,328,840	7,013,534	32,597,943	33,081,694

The accompanying notes are an integral part of these financial statements

Francis Winspear Centre for Music
Statement of Cash Flows
For the year ended June 30, 2015

	<i>Operating Fund</i>	<i>Capital Fund</i>	<i>Endowment Fund</i>	2015	2014
Cash provided by (used for) the following activities					
Operating					
Excess (deficiency) of revenue over expenses	50,352	(1,155,827)	621,724	(483,751)	1,726,818
Amortization	-	1,182,156	-	1,182,156	1,180,958
Unrealized market appreciation	-	-	-	-	(759,758)
	50,352	26,329	621,724	698,405	2,148,018
Changes in working capital accounts					
Decrease (increase) in accounts receivable	22,097	50,672	-	72,769	(107,495)
Increase in inventory	(6,764)	-	-	(6,764)	(8,278)
Increase in prepaid expenses and deposits	(56,008)	-	-	(56,008)	(21,637)
Increase in accounts payable and accruals	142,643	-	-	142,643	175,570
Decrease in deferred contributions for capital assets	(83,323)	-	-	(83,323)	(5,688)
Increase (decrease) in deferred contributions	167,835	-	-	167,835	(118,094)
Increase in third party ticket sales	57,798	-	-	57,798	25,847
Interfund transfers	328,853	282,337	(611,190)	-	-
Non-cash assets transferred	146,418	160,000	(306,418)	-	-
	769,901	519,338	(295,884)	993,355	2,088,243
Financing					
Increase in deferred contributions for capital assets	-	-	-	-	(300,000)
Increase (decrease) in due to related parties	(541,312)	-	-	(541,312)	399,608
	(541,312)	-	-	(541,312)	99,608
Investing					
Purchase of capital assets	-	(775,894)	-	(775,894)	(559,689)
Purchase of capital asset relating to land strategy project	-	(723,444)	-	(723,444)	(801,128)
Purchase of investments	-	(1,300,000)	-	(1,300,000)	(1,500,000)
Proceeds on disposition of investments	-	2,280,000	-	2,280,000	520,000
Investment transfer - non-cash	-	-	306,418	306,418	-
Reinvested investment earnings	-	-	(10,534)	(10,534)	(221,567)
	-	(519,338)	295,884	(223,454)	(2,562,384)
Increase (decrease) in cash resources	228,589	-	-	228,589	(374,533)
Cash resources, beginning of year	147,792	-	-	147,792	522,325
Cash resources, end of year	376,381	-	-	376,381	147,792

The accompanying notes are an integral part of these financial statements

Francis Winspear Centre for Music Notes to the Financial Statements

For the year ended June 30, 2015

1. Organization

Francis Winspear Centre for Music (the "Centre"), formerly Edmonton Concert Hall Foundation, is a non-profit organization incorporated under the Alberta Companies Act. The Edmonton Symphony Society (the "Society") owns a 100% interest in the Centre.

The Centre's purpose is to provide the most outstanding conditions to experience music and to be the outstanding musical arts centre for the Edmonton Capital Region serving the Society and other community organizations. This is done in a way that nurtures and elevates the performances of all the community's musical arts organizations, both professional and amateur, and attracts great artists from around the world so that the musical and cultural richness of the community is continuously broadened and deepened.

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 and include the following significant accounting policies:

Fund accounting

The accounts of the Centre are maintained in accordance with principles of restricted fund accounting for contributions. The accounts have been segregated into the operating, capital and endowment funds to reflect the purposes for which funds are designated.

- a) The Operating Fund accounts for the Centre's program delivery and administrative activities.
- b) The Capital Fund reports the assets, liabilities, revenue and expenses related to the Centre's capital assets.
- c) The Endowment fund reports resources contributed for endowment and the entire balance has been internally restricted.

Revenue recognition

Donation revenue is recognized in the year of receipt. Revenue from ticket sales and special events is recognized in income in the year the performance or event is held.

Restricted contributions related to operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Replacement Fund revenue is collected on tickets sold. To the extent capital repairs and additions are less than capital reserve revenue collected in a year, the excess funds are transferred to the Capital Fund for future capital expenditures. Deferred Capital Replacement Fund fees collected in 2015 and included in deferred contributions for capital assets are \$nil (2014 - \$83,323).

Bar, concession, and merchandise revenue is recognized at the point of sale.

Facility, patron services personnel, stage production and parking revenues are recognized when services have been rendered.

Investment income is comprised of interest, dividends, and realized and unrealized gains and losses.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Centre's operations and would otherwise have been purchased.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, cash floats, and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business less selling costs.

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 Centre'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.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided for using rates intended to amortize the cost of assets over their estimated useful lives of the asset. Instruments and Artwork are not amortized.

When the capital asset no longer contributes to the Centre'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.

The rates of amortization use are:

	<i>Method</i>	<i>Rate</i>
Building	declining balance	4 %
Furniture and fixtures	declining balance	20 %
Computers	straight-line	5 years

Employee future benefits

The Centre sponsors a defined contribution group retirement savings plan for employees. The cost of the plan, representing the Centre's contributions in accordance with the plan agreement, is recorded in expenses for the year during which the services are rendered. The cost of the plan for 2015 was \$48,403 (2014 - \$47,954).

Allocation of expenses

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

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess (deficiency) of revenues over expenses for the current period.

Francis Winspear Centre for Music

Notes to the Financial Statements

For the year ended June 30, 2015

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

Financial instruments

The Centre recognizes its financial instruments when the Centre 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 5).

At initial recognition, the Centre may irrevocably elect to subsequently measure any financial instrument at fair value.

The Centre 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 Centre'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 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. Included in the land strategy project is an allocation of internal labour costs.

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

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Building	39,980,760	19,841,376	20,139,384	20,553,422
Furniture and fixtures	3,526,922	2,536,337	990,585	841,994
Instruments	2,257,963	-	2,257,963	2,257,963
Computers	1,424,960	1,131,007	293,953	434,766
Artwork	155,859	-	155,859	155,859
Land strategy project	1,792,304	-	1,792,304	1,068,860
	49,138,768	23,508,720	25,630,048	25,312,864

Land strategy project includes costs relating to engineering and research with a carrying value of \$1,792,304 (2014 - \$1,068,860). No amortization of this asset has been recorded during the current year because it is currently under development.

Francis Winspear Centre for Music

Notes to the Financial Statements

For the year ended June 30, 2015

4. Managed investments

During fiscal 2010, the Centre authorized the transfer of all short-term marketable securities to ESCH Foundation. The funds administered and managed by ESCH Foundation, pursuant to an agreement dated June 24, 2012 at year end totaled \$7,299,808 (2014 - \$7,595,692). Of these funds, \$1,343,254 (2014 - \$1,330,678) represents contributions from the Estate of the late Stuart Davis and is restricted specifically for the care, maintenance and performance of the Davis concert organ.

5. Due to related parties

The Edmonton Symphony Society's 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 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 (2014 - \$344,123) payable to the Society. 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 transactions, a management fee was paid to The Foundation in the amount of \$65,885 (2014 - \$nil).

As a result of these transactions, at June 30, 2015 there is \$201,358 (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.

6. Third party ticket sales

Third party ticket sales represents advance deposits on outside presenter concerts, ticket sales for events to be held in the 2015-2016 season and amounts collected from advance ticket sales to fund the replacement and purchase of specific capital assets from time to time.

7. Allocation of expenses

Total salary expenses amount to \$1,818,241 (2014 - \$2,006,400) and are allocated as follows:

	2015	2014
Stage production	502,555	383,217
Patron services personnel	494,379	521,100
Administration	484,545	540,693
Core patron	105,874	115,419
Community relations	101,964	62,003
Facility	72,085	297,528
Artistic	56,839	54,815
Education and outreach	-	31,625
	1,818,241	2,006,400

Francis Winspear Centre for Music

Notes to the Financial Statements

For the year ended June 30, 2015

8. Line of credit

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

9. Commitments

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

	2016	29,690
	2017	20,699
	2018	16,678
	2019	8,315
		75,382

Other commitments

Expenditures are committed for the services the International Alliance of Theatrical State Employees ("IATSE"). The latest agreement with IATSE will expire on June 30, 2017. The commitment is estimated to be approximately \$343,590 for the 2015-2016 operating season (2014-2015 actual - \$434,721).

10. Contingencies

Various legal claims have been filed against the Centre 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.

11. Share capital

	2015	2014
Issued		
Common shares		
2 Class A shares	100	100

12. Contributed services and capital

The Centre 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 Centre in 2015 amounted to \$79,000 (2014 - \$62,000).

13. Financial instruments

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

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

Credit concentration

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

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.

The Centre is exposed to interest rate cash flow risk with respect to its managed investments (Note 4).

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 Centre's investments in publicly-traded securities and corporate bonds exposes the Centre 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.

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 Centre 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	32,432	609
Investments	-	2,336,749