

Edmonton Symphony Society
Financial Statements
June 30, 2017

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 25, 2017



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, 2017 and the statements of operations and changes in fund balances 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 statements.

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 revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended June 30, 2017 and 2016, current assets as at June 30, 2017 and 2016, and fund balances as at July 1 and June 30 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended June 30, 2016 was also modified 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, 2017 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 25, 2017

MNP LLP

Chartered Professional Accountants

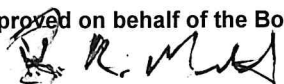
Edmonton Symphony Society

Statement of Financial Position

As at June 30, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents	577,674	521,881
Accounts receivable	175,489	450,399
Prepaid expenses and deposits	90,156	363,432
Due from Edmonton Symphony & Concert Hall Foundation (Note 9)	573,443	363,820
Due from Francis Winspear Centre for Music (Note 9)	1,324	-
	1,418,086	1,699,532
Capital assets (Note 3)	894,346	793,267
Investments (Note 4)	1,372,175	1,214,025
Investment in Francis Winspear Centre for Music (Note 5)	100	100
Investment in limited partnership (Note 6)	15,000	15,000
	3,699,707	3,721,924
Liabilities		
Current		
Accounts payable and accruals (Note 7)	279,989	276,080
Deferred revenue (Note 8)	2,640,354	2,252,093
Due to Francis Winspear Centre for Music (Note 9)	-	601,199
	2,920,343	3,129,372
Commitments (Note 12)		
Fund Balances		
Operating fund	15,639	(21,173)
Internally restricted	763,725	613,725
	779,364	592,552
	3,699,707	3,721,924

Approved on behalf of the Board




Edmonton Symphony Society

Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2017

	2017	2016
Revenue		
Ticket sales	4,687,275	4,526,775
Education and outreach	182,750	186,801
Grant revenue	2,485,139	2,435,031
Patron donations and special events	2,125,385	1,833,167
Corporate sponsorships <i>(Note 13)</i>	793,442	776,003
Contract services	464,997	578,015
Foundation and endowment <i>(Note 9)</i>	456,103	381,332
Investment income	158,150	30,930
	11,353,241	10,748,054
Artistic operations	7,886,000	7,481,782
Education and outreach	534,488	534,329
Patron relations/community investment	1,198,522	1,121,852
Event management	699,239	851,447
Finance and operations <i>(Note 9)</i>	848,180	782,003
	11,166,429	10,771,413
Excess (deficiency) of revenue over expenses	186,812	(23,359)
Operating fund balance, beginning of year	(21,173)	2,186
Transfer to internally restricted fund	(150,000)	-
	15,639	(21,173)
Operating fund balance, end of year	15,639	(21,173)

The accompanying notes are an integral part of these financial statements

Edmonton Symphony Society

Statement of Cash Flows

For the year ended June 30, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	186,812	(23,359)
Earnings on investment portfolio	(158,150)	(30,931)
Non-cash donations	(120,681)	(150,758)
	(92,019)	(205,048)
Changes in working capital accounts		
Increase in accounts receivable	274,910	(27,627)
Decrease (increase) in prepaid expenses and deposits	273,276	(203,006)
Increase (decrease) in accounts payable and accruals	3,909	48,204
Increase (decrease) in deferred revenue	388,261	(86,611)
Increase (decrease) in due to Francis Winspear Centre for Music	(602,523)	605,369
Advances to Edmonton Symphony and Concert Hall Foundation	(88,942)	(141,409)
	156,872	(10,128)
Investing		
Purchase of capital assets	(101,079)	(90,853)
Purchase of investments	(66,500)	-
Proceeds on disposal of investments	66,500	188,887
	(101,079)	98,034
Increase in cash resources	55,793	87,906
Cash resources, beginning of year	521,881	433,975
Cash resources, end of year	577,674	521,881

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, contract services and special events are recognized in the year in which the concert is performed. Box office agency 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 patron donations if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from operating grants are recognized when amounts are received, or when amounts are receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and a commitment letter has been received. Restricted grants are recognized as revenue in the year in which the related expenses are incurred. Grants restricted for the purchase of capital assets are deferred and recognized as the related asset is amortized.

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.

Investments

Investments consist of bonds, debentures and equities which are all traded in the public markets. 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.

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, the musical instruments, and the artwork 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 2017 was \$456,206 (2016 - \$403,775).

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.

Financial instruments

The Society recognizes its financial instruments when the Society 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 section 3840 *Related Party Transactions* (refer to Note 9). At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. No such election has occurred in the current year.

The Society subsequently measures investments in equity instruments quoted in an active market 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.

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2017

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

The Society assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

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 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.

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	2017 Net book value	2016 Net book value
Music library	470,753	470,753	455,076
Musical instruments	419,493	419,493	334,091
Artwork	4,100	4,100	4,100
	894,346	894,346	793,267

4. Investments

Investments are managed by Edmonton Symphony Concert Hall Foundation on behalf of the Society.

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2017

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.

	<i>2017</i>	<i>2016</i>
	<i>(\$ thousands)</i>	<i>(\$ thousands)</i>
Francis Winspear Centre for Music		
Financial Position		
Total assets	32,497	34,564
Total liabilities	1,304	853
Total net assets	31,193	33,711
	32,497	34,564
Results of Operations		
Total revenue	4,994	8,347
Total expenses	(5,522)	(5,240)
Excess (deficiency) of revenue over expenses	(528)	3,107
Comprised of:		
Operating fund	28	97
Capital fund	(1,097)	3,023
Endowment fund	541	(13)
	(528)	3,107
Cash Flows		
Cash from operations	1,069	3,570
Cash used in financing and investing activities	(924)	(2,917)
Increase (decrease) in cash resources	145	653

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 \$13,818 (2016 - \$13,159) of government remittances.

8. Deferred revenue

Deferred revenue consists of advance ticket sales made during the current year for the 2017-2018 season of \$1,694,800 (2016 - \$1,803,524) and operating grants received in the current year related to 2017-2018 events of \$945,554 (2016 - \$448,569).

Edmonton Symphony Society
Notes to the Financial Statements
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9. Due from related parties

The Society box office collected a facility fee on tickets sold on behalf of the Centre, amounting to \$393,025 (2016 - \$314,305). Under current agreements with the Centre, the Society paid \$574,406 (2016 - \$599,169) 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 balances.

In addition to the above transactions, the Society operates the box office which relates solely to ticket sales for Concert Hall events, for which no amount is recorded.

As a result of the above transactions, at June 30, 2017, there is \$1,324 receivable from (2016 - \$601,199 payable to) the Centre. These amounts are unsecured, bear no interest and have no specified terms of repayment.

Non-cash donations from the Foundation in the amount \$120,681 (2016 - \$150,758) occurred in the year. The Society also paid the Foundation an investment management fee of \$9,300 (2016 - \$16,602). As a result of these transactions, at June 30, 2017 there is \$573,443 (2016 - \$363,820) 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, are allocated as follows:

	<i>2017</i>	<i>2016</i>
Artistic operations	5,060,040	4,864,930
Finance and operations	527,311	505,129
Event management	404,767	561,026
Patron relations/community investment	359,625	335,074
Education and outreach	154,377	152,730
	6,506,120	6,418,889

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 (2016 - \$nil). Any bank indebtedness position arising during the year is secured by a general security agreement.

12. Commitments

The Society leases its office premises located at the Centre from the Centre. The latest agreement expires June 30, 2018. The committed payments for the next year are \$43,358.

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

2018	32,985
2019	28,633
2020	26,384
<u>2021</u>	<u>21,974</u>
	<u>109,976</u>

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 in the year ending June 30, 2019. The commitment is estimated to be approximately \$1,787,246 for the 2017-2018 operating season (2016-2017 actual of \$1,823,150).

The Society is committed to 291 services for the 2017-2018 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 2017-2018 for service fees for the 56 core musicians under this agreement is \$3,511,138 (2016-2017 actual of \$3,027,311).

13. 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 2017 amounted to \$672,374 (2016 - \$553,220), consisting primarily of media advertising.

14. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society 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.

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 Society's managed investments in publicly-traded securities and corporate bonds exposes the Society to price risk as these investments are subject to price changes in an open market due to a variety of reasons.

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

Credit concentration

Financial instruments that potentially subject the Society 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, 2017, the following items are denominated in US Dollar currency:

	2017	2016
	CAD\$	CAD\$
Cash and cash equivalents	135,501	105,365
Investments	233,092	193,564

15. Comparative figures

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