

Edmonton Symphony Society
Financial Statements
June 30, 2019

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 16, 2019



President & CEO



Vice President of Finance & Building
Operations

Independent Auditor's Report

To the Members of the Edmonton Symphony Society:

Qualified Opinion

We have audited the financial statements of Edmonton Symphony Society (the "Society"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2019, 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.

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, 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, deficiency of revenues over expenses, and cash flows from operations for the years ended June 30, 2019 and June 30, 2018, current assets as at June 30, 2019 and 2018, and net assets as at July 1 and June 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society 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 qualified opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

Auditor's 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 auditor's 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 these 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Society 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.

We 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.

Edmonton, Alberta

October 16, 2019

MNP LLP

Chartered Professional Accountants

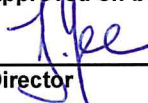
Edmonton Symphony Society

Statement of Financial Position

As at June 30, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	293,792	99,351
Accounts receivable	668,372	488,234
Prepaid expenses and deposits	144,849	103,671
Due from Edmonton Symphony & Concert Hall Foundation (Note 9)	560,958	556,429
	1,667,971	1,247,685
Capital assets (Note 3)	1,110,472	971,921
Investments (Note 4)	1,513,768	1,472,262
Investment in Francis Winspear Centre for Music (Note 5)	100	100
Investment in limited partnership (Note 6)	15,000	15,000
	4,307,311	3,706,968
Liabilities		
Current		
Accounts payable and accruals (Note 7)	323,074	348,018
Deferred revenue (Note 8)	1,764,541	2,736,440
Due to Francis Winspear Centre for Music (Note 9)	1,924,104	113,497
	4,011,719	3,197,955
Commitments (Note 12)		
Fund Balances		
Operating fund	1,867	5,288
Internally restricted	293,725	503,725
	295,592	509,013
	4,307,311	3,706,968

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 Fund Balances

For the year ended June 30, 2019

	2019	2018
Revenue		
Ticket sales	4,619,558	4,621,891
Education and outreach	217,864	194,587
Grant revenue	2,723,880	2,493,842
Patron donations and community investment <i>(Note 13)</i>	2,615,904	2,674,175
Sold orchestra services (contract services)	382,265	503,241
Foundation grants and investments <i>(Note 9)</i>	385,322	485,395
	10,944,793	10,973,131
Expenses		
Artistic operations	7,732,717	7,868,545
Education and outreach	599,919	610,190
Patron relations/community investment	1,410,383	1,374,423
Event management	557,582	587,806
Finance and administration <i>(Note 9)</i>	529,381	552,507
Digital operations	328,232	250,011
	11,158,214	11,243,482
Deficiency of revenue over expenses	(213,421)	(270,351)
Operating fund balance, beginning of year	5,288	15,639
Transfer from internally restricted fund	210,000	260,000
Operating fund balance, end of year	1,867	5,288

The accompanying notes are an integral part of these financial statements

Edmonton Symphony Society
Statement of Cash Flows
For the year ended June 30, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(213,421)	(270,351)
Loss on investment portfolio	(50,246)	(100,087)
Non-cash donations	(117,789)	(112,407)
	(381,456)	(482,845)
Changes in working capital accounts		
Increase in accounts receivable	(180,138)	(312,745)
Increase in prepaid expenses and deposits	(41,178)	(13,515)
Decrease (increase) in accounts payable and accruals	(24,944)	68,028
Decrease (increase) in deferred revenue	(971,899)	96,087
	(1,599,615)	(644,990)
Financing		
Increase in due to Francis Winspear Centre for Music	1,810,607	114,821
Repayments to Edmonton Symphony and Concert Hall Foundation	122,000	129,421
	1,932,607	244,242
Investing		
Purchase of capital assets	(138,551)	(77,575)
Purchase of investments	(603,704)	(105,200)
Proceeds on disposal of investments	603,704	105,200
	(138,551)	(77,575)
Increase (decrease) in cash resources	194,441	(478,323)
Cash resources, beginning of year	99,351	577,674
Cash resources, end of year	293,792	99,351

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 2019 was \$463,998 (2018 - \$478,609).

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, 2019

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	2019 Net book value	2018 Net book value
Music library	569,188	569,188	506,808
Musical instruments	537,184	537,184	461,013
Artwork	4,100	4,100	4,100
	1,110,472	1,110,472	971,921

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, 2019

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.

	2019	2018
	<i>(\$ thousands)</i>	<i>(\$ thousands)</i>
Francis Winspear Centre for Music		
Financial Position as at June 30, 2019		
Total assets	37,664	31,509
Total liabilities	1,481	686
Total net assets	36,183	30,823
	37,664	31,509
Results of Operations for the year ended June 30, 2019		
Total revenue	11,712	5,430
Total expenses	(6,352)	(5,800)
Excess (deficiency) of revenue over expenses	5,360	(370)
Comprised of:		
Operating fund	(376)	(117)
Capital fund	5,645	(481)
Endowment fund	91	228
	5,360	(370)
Cash Flows for the year ended June 30, 2019		
Cash from operations	6,680	(148)
Cash used in financing and investing activities	(7,243)	1,708
Increase (decrease) in cash resources	(563)	1,560

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 \$9,057 (2018 - \$190) of government remittances.

8. Deferred revenue

Deferred revenue consists of advance ticket sales made during the current year for the 2020 of \$1,424,942 (2019 - \$1,684,533) and operating grants received in the current year related to 2020 of \$339,599 (2019 - \$1,051,907).

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2019

9. Due to (from) related parties

The Society box office collected a facility fee on tickets sold on behalf of the Centre, amounting to \$483,186 (2018 - \$472,993). Under current agreements with the Centre, the Society paid \$497,864 (2018 - \$557,208) 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, 2019, there is \$1,924,104 (2018 - \$113,497) 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 \$117,789 (2018 - \$112,407) occurred in the year. The Society also paid the Foundation an investment management fee of \$7,857 (2018 - \$8,740). As a result of these transactions, at June 30, 2019 there is \$560,958 (2018 - \$556,429) 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:

	2019	2018
Artistic operations	5,126,216	5,359,974
Finance and operations	611,066	593,209
Education and outreach	475,199	473,073
Patron relations/community investment	448,529	511,113
Event management	349,423	370,296
Digital operations	86,207	86,200
	7,096,640	7,393,865

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 (2018 - \$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 expired June 30, 2019.

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

2020	23,858
2021	20,198
2022	1,955
2023	1,955
2024	1,955
Thereafter	337
	50,258

Other Commitments

The Society is committed to 291 services for the 2020 Season pursuant to its agreement with Local 390 of the American Federation of Musicians of the United States and Canada expiring September 7, 2020. The expenditure commitment for 2020 for 56 core musicians' service fees under this agreement is \$3,705,462 (2019 - \$3,515,047).

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 2019 amounted to \$526,907 (2018 - \$597,605), 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.

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.

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

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, 2019, the following items are denominated in US Dollar currency:

	2019	2018
	CAD\$	CAD\$
Cash and cash equivalents	22,095	37,173
Investments	286,946	260,007

15. Comparative figures

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