

Edmonton Symphony Society
Financial Statements
June 30, 2020

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 Finance 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, 2020

signed by "Annemarie Petrov"

President & CEO

signed by "Brian Alguire"

Vice President of Finance & 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, 2020, 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, 2020, 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, 2020 and June 30, 2019, current assets as at June 30, 2020 and 2019, and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 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.

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 14, 2020

MNP LLP

Chartered Professional Accountants

Edmonton Symphony Society

Statement of Financial Position

As at June 30, 2020

	2020	2019
Assets		
Current		
Cash and cash equivalents	233,181	293,792
Accounts receivable (Note 11)	374,034	668,372
Prepaid expenses and deposits	116,601	144,849
Due from Edmonton Symphony & Concert Hall Foundation (Note 10)	345,414	560,958
	1,069,230	1,667,971
Capital assets (Note 4)	1,177,394	1,110,472
Investments (Note 5)	1,511,848	1,513,768
Investment in Francis Winspear Centre for Music (Note 6)	100	100
Investment in limited partnership (Note 7)	15,000	15,000
	3,773,572	4,307,311
Liabilities		
Current		
Accounts payable and accruals (Note 8)	118,190	323,074
Deferred revenue (Note 9)	1,837,193	1,764,541
Due to Francis Winspear Centre for Music (Note 10)	2,663,207	1,924,104
	4,618,590	4,011,719
Significant event (Note 2)		
Commitments (Note 13)		
Fund Balances		
Operating fund	(845,018)	1,867
Internally restricted	-	293,725
	(845,018)	295,592
	3,773,572	4,307,311
Approved on behalf of the Board		
<i>signed by "Oryssia Lennie"</i>	<i>signed by "David Yee"</i>	
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, 2020

	2020	2019
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Revenue		
Ticket sales	2,991,620	4,619,558
Grant revenue	2,807,203	2,723,880
Patron donations and community investment <i>(Note 14)</i>	1,968,365	2,615,904
Foundation grants and investments <i>(Note 10)</i>	434,513	385,322
Sold orchestra services (contract services)	366,545	382,265
Education and outreach	114,876	217,864
	<hr/>	<hr/>
	8,683,122	10,944,793
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Expenses		
Artistic operations	6,828,980	7,732,717
Education and outreach	702,686	599,919
Patron relations/community investment	1,178,293	1,410,383
Event management	527,216	557,582
Finance and administration <i>(Note 10)</i>	228,795	529,381
Digital operations	357,762	328,232
	<hr/>	<hr/>
	9,823,732	11,158,214
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Deficiency of revenue over expenses	(1,140,610)	(213,421)
Operating fund balance, beginning of year	1,867	5,288
Transfer from internally restricted fund	293,725	210,000
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Operating fund balance, end of year	(845,018)	1,867
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The accompanying notes are an integral part of these financial statements

Edmonton Symphony Society

Statement of Cash Flows

For the year ended June 30, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(1,140,610)	(213,421)
Gain on investment portfolio	(5,937)	(50,246)
Non-cash donations	(110,000)	(117,789)
	(1,256,547)	(381,456)
Changes in working capital accounts		
Decrease (increase) in accounts receivable	294,338	(180,138)
Decrease (increase) in prepaid expenses and deposits	28,248	(41,178)
Decrease in accounts payable and accruals	(204,884)	(24,944)
Increase (decrease) in deferred revenue	72,652	(971,899)
	(1,066,193)	(1,599,615)
Financing		
Increase in due to Francis Winspear Centre for Music	739,103	1,810,607
Repayments from Edmonton Symphony & Concert Hall Foundation	325,544	122,000
	1,064,647	1,932,607
Investing		
Purchase of capital assets	(66,922)	(138,551)
Purchase of investments	(230,800)	(603,704)
Proceeds on disposal of investments	238,657	603,704
	(59,065)	(138,551)
Increase (decrease) in cash resources	(60,611)	194,441
Cash resources, beginning of year	293,792	99,351
Cash resources, end of year	233,181	293,792

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 event

During the year, there was a global outbreak of COVID-19 (coronavirus disease), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown what the extent of the impact the COVID-19 outbreak may have on the Society, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Society has been particularly impacted due to its inability to host large gatherings, with current mandated restrictions limiting performers to 20 'on stage' and indoor audiences to between 50 and 100. This is problematic from a profitability perspective as it disqualifies virtually all the Society's pre-COVID performance options.

3. 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.

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

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.

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.

Long-lived assets

Long-lived assets consist of capital assets held for use and are measured and amortized as described in the applicable accounting policies.

The Society writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Society's ability to provide goods and services. Assets are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Society determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair 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 2020 was \$462,058 (2019 - \$463,998).

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

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 10). 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 deficiency 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.

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 deficiency 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 collectibility 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 deficiency of revenues and expenses in the periods in which they become known.

4. Capital assets

	Cost	2020 Net book value	2019 Net book value
Music library	598,899	598,899	569,188
Musical instruments	574,395	574,395	537,184
Artwork	4,100	4,100	4,100
	1,177,394	1,177,394	1,110,472

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2020

5. Investments

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

6. 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.

	2020	2019
	<i>(\$ thousands)</i>	<i>(\$ thousands)</i>
Francis Winspear Centre for Music		
Financial Position as at June 30		
Total assets	44,706	37,664
Total liabilities	2,187	1,481
Total net assets	42,519	36,183
	44,706	37,664
Results of Operations for the year ended June 30		
Total revenue	11,533	11,712
Total expenses	(5,197)	(6,352)
Excess of revenue over expenses	6,336	5,360
Comprised of:		
Operating fund	(1,581)	(376)
Capital fund	7,907	5,645
Endowment fund	10	91
	6,336	5,360
Cash Flows for the year ended June 30		
Cash from operations	6,555	6,224
Cash used in financing and investing activities	(3,330)	(6,786)
Increase (decrease) in cash resources	3,225	(562)

7. Investment in limited partnership

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

8. Accounts payable and accruals

Included in accounts payable and accruals is \$50,033 (2019 - \$9,057) of government remittances.

9. Deferred revenue

Deferred revenue consists of advance ticket sales made during the current year for 2021 of \$1,252,319 (2020 - \$1,553,272) and operating grants received in the current year related to 2021 of \$584,874 (2020 - \$211,269).

Edmonton Symphony Society
Notes to the Financial Statements
For the year ended June 30, 2020

10. Due to (from) related parties

The Society box office collected a facility fee on tickets sold on behalf of the Centre, amounting to \$239,606 (2019 - \$483,186). Under current agreements with the Centre, the Society paid \$390,067 (2019 - \$497,864) 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, 2020, there is \$2,663,207 (2019 - \$1,924,104) 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 \$110,000 (2019 - \$117,789) occurred in the year. The Society also paid the Foundation an investment management fee of \$8,816 (2019 - \$7,857). As a result of these transactions, at June 30, 2020 there is \$345,414 (2019 - \$560,958) 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.

11. Allocation of expenses

Total salary expenses, including musicians, prior to the wage subsidies noted below, are allocated as follows:

	2020	2019
Artistic operations	5,056,157	5,126,216
Finance and operations	785,727	611,066
Education and outreach	606,469	475,199
Event management	357,289	349,423
Patron relations/community investment	275,899	448,529
Digital Operations	113,254	86,207
Wage subsidies	(451,685)	-
	6,743,110	7,096,640

The Society applied for the Canada Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy (TWS). Under the CEWS and TWS programs, organizations experiencing significant revenue reductions during the COVID-19 pandemic are eligible to receive a subsidy for a portion of employee wages or deductions paid during those periods. For the year ended June 30, 2020, the Society claimed aggregate subsidies under these programs of \$451,685, of which \$234,787 remained in accounts receivable at year-end. The table reflects both the impact of these subsidies as well as a reduction in expenses of about \$125,000 from the prior year due to the allocation of staff salaries to the Francis Winspear Centre for Music Completion Project.

12. 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 (2019 - \$nil). Any bank indebtedness position arising during the year is secured by a general security agreement.

13. Commitments

The Society leases its office premises located at the Centre from the Centre. The latest agreement expired June 30, 2020.

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:

2021	20,198
2022	1,955
2023	1,955
2024	1,955
2025	337
	26,400

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 2020 amounted to \$239,981 (2019 - \$526,907), consisting primarily of media advertising.

15. 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.

15. 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, 2020, the following items are denominated in US Dollar currency:

	2020	2019
	CAD\$	CAD\$
Cash and cash equivalents	58,122	22,095
Investments	338,348	286,946