Year Ended March 31, 2014

The Calgary Foundation

Annual Financial Report

The Calgary Foundation
6/26/2014

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Management Discussion and Analysis

For the year ended March 31, 2014

Management's discussion and analysis ("MD&A") is provided to enable a reader to assess our financial condition and results of operations for the fiscal year ended March 31, 2014, compared to the preceding year. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 26, 2014. All amounts are based on financial statements prepared in accordance with Canadian accounting standards for not-for-profit entities except portfolio returns, which are based on performance reporting methodology, and attendance or participation figures. The Calgary Foundation ("the Foundation") operates in accordance with The Calgary Foundation Act (Alberta, 1955, 2000) and bylaws and within the regulatory framework of the Income Tax Act (Canada), the Canada Revenue Agency ("CRA") guidelines and the Charitable Fund-raising Act and Regulations (Alberta). The Foundation has adopted Volunteer Canada's Code for Volunteer Involvement, Community Foundations of Canada's ("CFC") criteria for membership and is accredited under Imagine Canada's Standards Program.

Forward-looking statements

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, objectives, strategies, initiatives, and the outlook for the Foundation. Risks and uncertainties include, but are not limited to, changing markets, legislation, demographics and general economic factors or conditions, and other risks, known or unknown.

VISION AND MISSION

The Foundation exists to nurture a healthy, vibrant, giving and caring community that values diversity and supports all people, a community where citizens are engaged, and where a strong and sustainable charitable sector serves the current and emerging needs of the community.

To achieve this vision, The Calgary Foundation:

- identifies and addresses community needs
- fosters partnerships and engages citizens through its role as a catalyst and a convener.
- provides grants that support all parts of the charitable sector
- inspires, promotes and facilitates philanthropy for the long-term benefit of Calgary and area
- builds a permanent endowment fund to support Calgary and area forever

STRATEGY AND KEY RESULT AREAS

Investing in the community

The Foundation invests in the community in two primary ways – through grants and proactive community leadership.

Grants

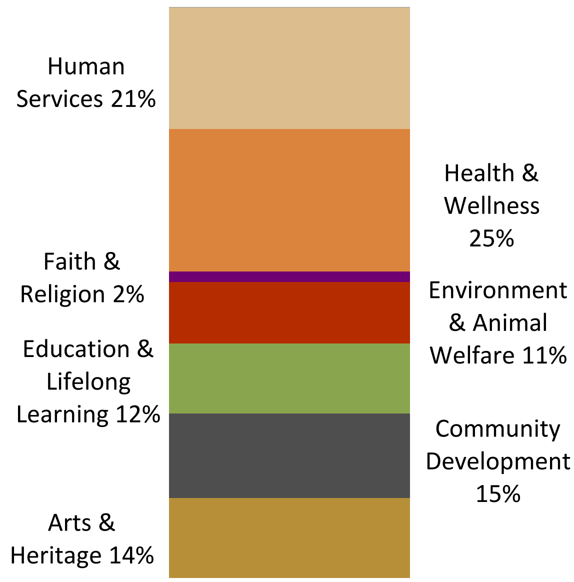
The Foundation's grants strengthen charities and engage citizens in all parts of the charitable sector. Arts, animal welfare, education, environment, health, heritage, human services, religion and other community development work are integral to forming and upholding vibrant and healthy communities and encouraging participation in charitable activities locally, nationally and internationally. Grants contribute to the good work of the charitable sector and bring communities closer to finding solutions for complex social issues. Grants come in a variety of sizes to support the initiatives and operations of well-known multimillion-dollar charitable institutions, small grassroots charities, and everything in between.

In fiscal 2014, nearly 2,000 grants, totalling over $34.6 million (2013 - $34.6 million), were issued through collaborative grant-making processes that engaged donors and volunteer advisors. The Foundation disburses grants in a variety of ways. It plays a role in advising donors about charities working in their areas of interest through its *Donor Advised, Donor Designated, Field of Interest and Student Award Funds*. *Charitable Organization Endowment Funds* enable charities to build capital and earn annual disbursements by taking advantage of the Foundation's portfolio management capabilities. The Foundation also has application-based grant programs, for which charities can apply, that serve an array of social needs: *Community Grants, Daryl K. Seaman Canadian Hockey Grants, Grassroots Grants, Organization Transformation Grants and Small Grants*.

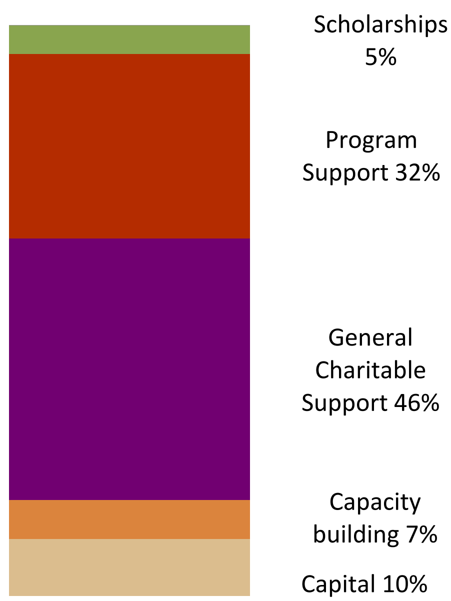
The Foundation initiated new grant processes developed through research, partnerships and gathering knowledge from the charitable community. *Success for Aboriginal Youth Grants* is in partnership with the Governor General of Canada and Community Foundations of Canada's Smart and Caring Communities initiative. *Major and Signature Grants* is a competitive grant process that provides grants of $250,000 or greater to initiatives that align with the Foundation's priorities, serve a great area or number of people and transform the communities that they serve. *Flood Rebuilding Fund Grants* support long-term charity-led flood recovery efforts in some of the areas hardest hit by Alberta's June 2013 flood.

The Foundation will continue to use research, partnerships, its knowledge of the charitable community and its donors and volunteer advisors to be responsive to community needs. Grants will continue to be made in a range of amounts for general charitable work, specific projects, and scholarships for students in Calgary, Alberta, Canada and beyond.

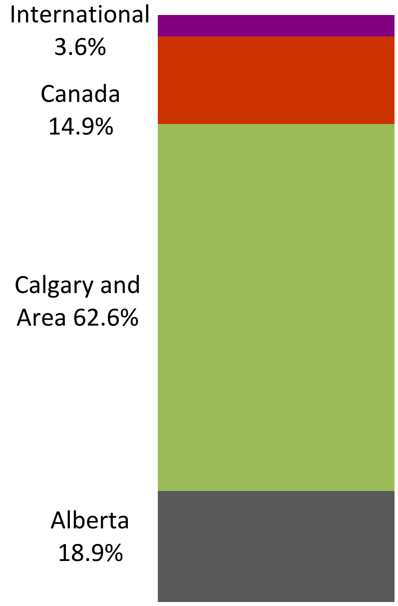
Grants by Sector (by dollars)



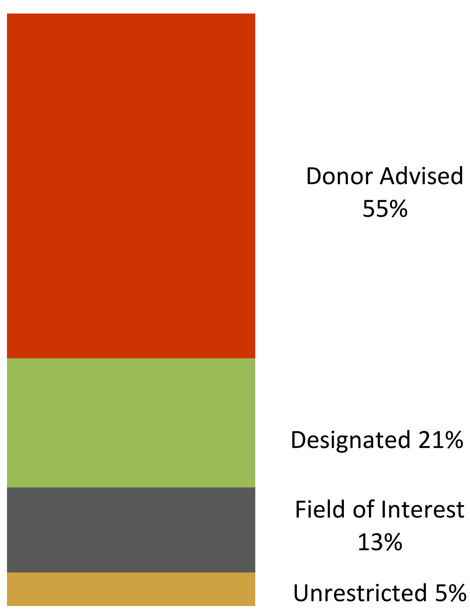
Grants by Type (by Dollars)

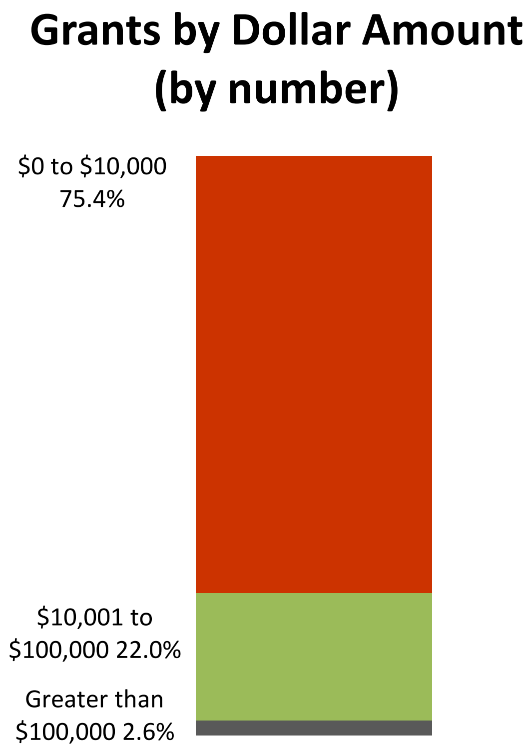


Grants by Geography (by dollars)



Grants by Fund Type (by number)




Grants by Dollar Amount
(by number)
$0 to $10,000
75.4%
$10,001 to
$100,000 22.0%
Greater than
$100,000 2.6%

Proactive Community Leadership

Knowledge of community needs and the work of charitable organizations across all sectors, derived from 59 years of experience, have positioned the Foundation to take a proactive leadership role in community building. Donors and charitable organizations have come to expect this from the Foundation. Through partnerships with others, and citizen engagement, the Foundation continues to address community issues for the benefit of all. This is the direct charitable activity of the Foundation. Throughout the year it included:

Calgary's Vital Signs®

Calgary's Vital Signs® is an annual check-up that measures the vitality of Calgary, identifies significant trends, and assigns grades in areas critical to the quality of life in Calgary. Engagement of Calgarians is key to producing the report which engages citizens by asking them to identify needs in the community and provide feedback on how to address these issues. Published annually since 2007, in 2013 survey graders voiced their opinions in 15 key issue areas. The Foundation is exploring a strategic re-visioning for the 2014 Vital Signs initiative to ensure continued relevance and alignment with TCF priorities.

Forever Funds Signature Projects

The Foundation launched the Forever Funds initiative in 2005, in conjunction with the Foundation's 50th Anniversary, as a catalyst for action in five issue areas. The initiative's goals involved bringing increased leadership, profile, funding and innovative solutions to help address emerging needs in the areas of Arts and Heritage, Diversity and Inclusion, Environment, Mental Health and Seniors. A sixth issue area – the Success of Aboriginal Young People – was included among these important fields in 2013 as part of the Foundation's work on the Governor General's Smart and Caring initiative. Smaller initiatives have been undertaken in all areas resulting in two signature projects. In late 2013 the Foundation began a process to re-examine and shift the Forever Funds initiative to become more current, strategic, clear, linked with other initiatives, and embedded in the Foundation's work.

The two signature projects that have been implemented under the Forever Funds Initiative are:

1. **Arts Incubator**

   Following the development of a strategic partnership between the Foundation and Calgary Arts Development Authority, cSPACE Projects, a non-profit company ("cSPACE"), is currently transforming the historic King Edward School into an arts incubator. The facility will provide a collaborative gathering space for professional artists that inspires social innovation and encourages community development and will provide affordable studio space for individual artists and small collectives. The first eight anchor tenants have been selected and cSPACE is encouraging applications for space on an ongoing basis.

2. Harvie Passage (on the Bow River)

Harvie Passage, a series of pools and rapids on the Bow River that is named after philanthropist Don Harvie, suffered extensive damage from devastating flooding in 2013 and is currently unsafe for public use. Officials are reviewing initial plans for a redesigned Harvie Passage and the Alberta provincial government is committed to the reconstruction of Harvie Passage with construction anticipated to be finished in 2016.

Community Knowledge Centre

In partnership with The Victoria and Toronto Community Foundations, development of a new online platform - the Community Knowledge Centre ("CKC") - has been completed and will be launched in 2014. CKC brings to life the work of registered charities by creating a central site to showcase the innovative and effective solutions to community issues from a broad range of organizations. The Foundation has long been recognized as a community knowledge leader. The CKC provides a vehicle for that knowledge to be shared broadly, with donors, charitable organizations, educators and community builders, for the greater benefit of all who work to build a better community. Workshops are being hosted to introduce charitable organizations to CKC, and communications assistance is being provided to organizations in the development of their CKC profile.

Major and Signature Grants

The estate of iconic philanthropist **Daryl K. 'Doc' Seaman** left a legacy gift of $117 million dollars to the Foundation, the largest endowment gift in Canadian community foundation history. By establishing an endowment, it is expected that in 100 years, his significant gift will have granted an astounding $1.4 **billion** dollars to charities and the original fund will have kept pace with inflation and grown to a value of $663 million dollars.

This significant growth in the Foundation's assets has positioned the Foundation to be able to participate more significantly in addressing community needs. A Major & Signature Projects committee has formed to identify opportunities for investment in a more consequential way, a way that transforms the community and that aligns with the Foundation's purpose and priorities.

Flood Rebuilding Fund

Following the unprecedented June 2013 floods in Southern Alberta, the Foundation was compelled to establish the Flood Rebuilding Fund to support long-term community recovery efforts in some of the hardest hit areas, including Calgary, High River, and surrounding First Nations. To date, the Flood Rebuilding Fund has received nearly $9 million in donations from individuals and corporations, as well as from fundraising events, including two high-profile summer concerts. As of fiscal year end, $5.6 million has been granted to over 90 charitable organizations working to rebuild community.

Growing the Endowment

A position paper on the global trends regarding the future of endowments revealed interesting information and provoked thoughtful discussion on our desired impact to preserve and grow the Foundation's asset base while maximizing benefits and impact to the community. We have recognized that engaged donors help strengthen the building blocks essential to the effective community leadership practice of our Foundation and our efforts in this direction will continue to include intentional dialogue across multiple generations within families. Informed, connected donors help broaden our Foundation's relationships, increase our resources, strengthen understanding and skills, and reinforce our values, culture and determination to take the lead on community issues. We believe that a strategic approach to growing our assets will include a focus on three key factors: optimizing the endowments asset allocation; ensuring an equitable endowment disbursement policy; and the level of new funds coming into the endowment in the form of contributions and other additions.

Financial Advisors have and will continue to play a pivotal role in promoting philanthropy in the community. Professionals in the financial planning, estate and tax law, accounting, insurance, wealth management and investment planning disciplines have a growing recognition of the Foundation's unique value proposition in supporting their client relationships. The advantages of giving clients direct access to charitable giving experts knowledgeable about issues and concerns facing our community; having clients' giving plans and contributions structured to meet their individual needs while maximizing tax advantages; and enabling clients to invest alongside, and engage with, like-minded donors and community leaders with shared interests to improve the quality of life and effect change right in their own backyards is leading to what some advisors are calling "philanthropic IMBYism".

The investments of the primary endowment fund are managed to achieve an average annual rate of return that is adequate to retain the purchasing power of a donation (i.e. address inflation), provide grants to recognized charitable organizations and cover the costs of administering the Foundation.

To aid in achieving this objective we continued to move forward on our allocation to alternative asset classes (infrastructure, private equity and real estate). Alternatives with their built-in inflation hedges and low correlations to traditional markets offer the potential for a lower volatility solution in generating returns and incomes that will improve the risk and return characteristics of the primary endowment portfolio.

Investment of the endowment portfolio will remain a major focus area as we strive to achieve the optimum investment return/risk balance and achieve portfolio results that build donor confidence and attain long term performance objectives.

Moving beyond traditional investments, the Foundation adopted a policy on Impact Investing this past year as a way to leverage a portion of the endowment for both a financial and mission return on investment. The investment by way of a loan to cSPACE in 2011 to purchase the historic King Edward School for an arts incubator was a first step into this territory. The Foundation's commitment to guarantee, for a fee, the construction borrowing of a controlled organization – the Kahanoff Centre for Charitable Activities – that is expanding its mandate to provide office space to Calgary not-for-profit organizations was another foray into Impact Investing. The Foundation will continue to build its awareness and knowledge of opportunities in Calgary for Impact Investing while crafting appropriate risk and return metrics.

Over the past year the Board reviewed the current disbursement policy to determine if there are methodologies that strike a better balance between preserving the endowment's corpus while maintaining and minimizing the volatility of inflation-adjusted distributions from year to year. It is imperative that the Foundation, as an "in perpetuity" endowment, continues to preserve the real purchasing power of endowed assets over time. If the spending rate is too high, future spending will be foregone in favour of current spending. If the spending rate is too low, current spending will be foregone in favour of future spending. Spending will be most equitable across generations (i.e. intergenerational equity is maintained) where spending and asset values grow with inflation. Moreover, it is easier for recipient organizations, where a commitment for funding is in place, to plan and budget when a foundation spends at more consistent levels than when it varies spending over time. Thus, it is beneficial for the Foundation to use a spending policy that minimizes the variation of year-over-year distributions. As a result, for the year beginning April 1, 2014 the Board adopted a hybrid spending formula which it believes strikes the best balance between maximizing distributions to the community while best protecting the long term purchasing power of the Foundation's assets.

Build Confidence and Profile

In order to partner with other organizations in granting and community leadership, engage donors in philanthropy and grow the assets of the Foundation, the building of confidence in, and the expanding of the profile of, the Foundation is a prerequisite.

- 2013 Events:

Vital City

Vital City celebrates philanthropy by gathering community leaders, local non-profit organizations, donors and engaged citizens for an overview of the charitable sector and a year in review of the Foundation. The 2013 event, presented to an audience of 750 (a 25% increase in attendance) (2012 – 600) was themed around Smart & Caring Communities and featuring His Excellency, the Right Honourable David Johnston, Governor General of Canada to highlight Community Foundations of Canada Smart & Caring Communities initiative.

Jane's Walk

Over 1,800 Calgarians (a 100% increase over the 2013 fiscal year) took part in Jane's Walk that offered 44 (38 the prior year) free walking tours in neighbourhoods in every quadrant of Calgary. Celebrating the legacy of Jane Jacobs, the walks celebrate local history, and encourage connections between Calgarians. Part of an international initiative, Jane's Walk has been coordinated locally by the Foundation since 2008 and will continue to be presented annually.

'Doc' Seaman Legacy Celebration

A media conference and capacity crowd luncheon were held to announce Daryl K. 'Doc' Seaman's $117 million bequest to the Foundation, the largest single gift in community foundation history and second largest donation in Canadian charitable giving history. Amongst the 600 invited guests, prominent donors, politicians, corporate and non-profit leaders, and professional advisors attended. The announcement received widespread media coverage both locally and nationally. In Calgary, social media discussion pertaining to Doc's gift led to the Foundation trending on Twitter with #doclegacy.

Flood Rebuilding Fund

Although it is an unintentional consequence, the Foundation's profile was raised to the highest level in our almost 60 year history due to the selection of the Flood Rebuilding Fund as the beneficiary of a significant number of local events and fundraisers. Citizens and corporations overwhelming supported the Fund from lemonade stands, t-shirt sales and proceeds from local restaurants to fundraisers at Fort Calgary Canada Day Celebration, Suds for Floods at TELUS SPARK and the Hotel Arts Floodraiser. Two very significant sold-out concerts were held in support of the Fund – Halo High Water at the Jubilee, attended by 2,500 people, and the Alberta Flood Aid at McMahon Stadium, attended by 30,000. The 2 concerts raised over $2 million for the Fund and received widespread local and national media coverage.

- 2013 Communications Vehicles:

Social Media

Social media, including Twitter and Facebook, were used for event and publication promotion. As of March 2014, the Foundation had over 7,000 (2013 - 4,700) followers on Twitter (a 49% increase over 2013) and over 550 ‘friends’ (2013 – 350) on Facebook (a 57% increase over 2013). The Foundation tweets on a daily basis to promote upcoming events, support partner organizations and generate conversation with our followers.

Website

A new website was developed to be interactive, easy to navigate and allow integration of new social media networks. From April 2013 to March 2014 the Foundation’s website saw 46,158 unique visits (a 56% increase from the 2012-2013 fiscal year figure of 29,590) with the largest percentage of visitors viewing the ‘Grants’ section.

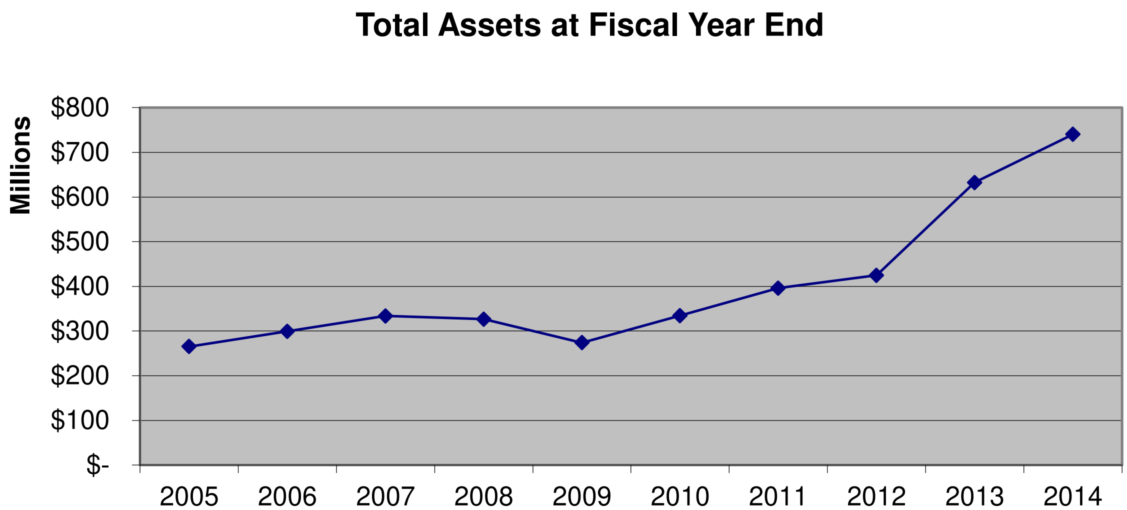
Printed Publications

The Annual Report and Vital Signs Report were published in 2013 and distributed to over 100,000 stakeholders. A new partnership was developed to create a bi-annual publication, Spur magazine, which profiles community achievements, along with the people and organizations that contribute to building a strong, philanthropic community. Spur magazine is distributed to over 10,000 Calgarians, twice yearly.

CAPABILITY TO DELIVER RESULTS AND HISTORICAL ANALYSIS

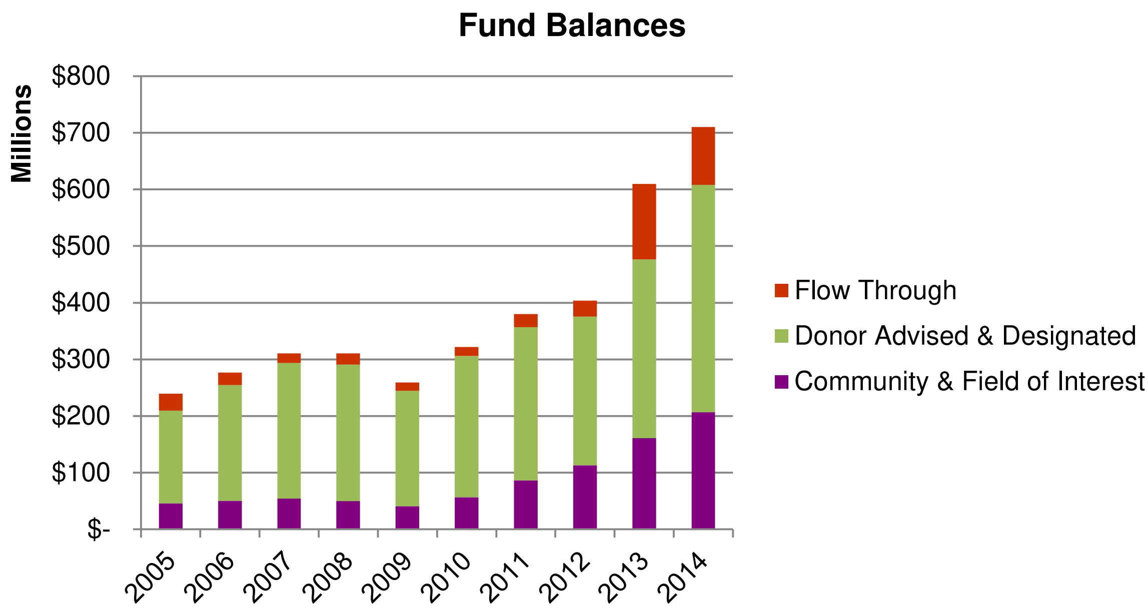
Assets

The Foundation's assets under administration as at March 31, 2014 totalled $740.1 m as compared to $632.4 m at March 31, 2013. The March 31, 2014 figure represents a 17% increase from the prior year end and compares to an increase of 49% in the year ended March 31, 2013.



Of the total assets under administration at fiscal year-end, $21.7 m (2013 – $18.4 m) of assets represent managed funds. Managed funds are endowments owned by other charitable organizations. The managed funds' liability is represented on the Consolidated Statement of Financial Position as a claim on the Foundation's primary endowment portfolio by these other charitable organizations.

The distribution of the Foundation-owned fund balances, or equity, amongst Community and Field of Interest, Donor Advised and Designated and Flow-through are as follows:



Investments

The total assets of the Foundation's primary endowment portfolio ("Endowment") at March 31, 2014 were $609.2 m (2013 – $476.9 m). The Endowment is managed by external investment managers in accordance with the Statement of Investment Policy and Procedures ("SIP"). The principal purpose of the SIP is to formulate guidelines for the prudent investment of the Endowment. The SIP establishes and communicates the Foundation's investment objectives and principal governance policies.

The Foundation's primary investment objective is to earn a rate of return over the long term that preserves the real purchasing power of the Endowment's assets. The long-term average real rate of return objective, as measured over moving 10-year periods, is expected to be 5.0%. In order to achieve this long term return objective, the Foundation employs a total return investment strategy that adds capital gains to the list of potential income sources. In implementing such a strategy, the Foundation recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with investing in capital markets.

The Foundation accepts that the greatest risk is the ability to preserve the real purchasing power for the Endowment's assets over the time horizon. In establishing the risk tolerances for the Endowment, the Foundation's ability to withstand short and intermediate term variability was considered. The Foundation's prospects for the future, investment time horizon, current financial condition and level of funding in the portfolio suggest short term fluctuations in market value and rates of return may be tolerated within the portfolio while still achieving the Endowment's longer term investment objectives.

Asset Allocation

At fiscal year-end 2014 and 2013, the primary endowment portfolio's asset allocations were as follows:

Asset Class	2014	2013
Cash and Equivalents	3.1%	2.5%
Fixed Income	25.3%	27.8%
Canadian Equity	31.9%	31.6%
Global Equity	35.1%	36.2%
Real Estate	3.4%	1.9%
Private Equity	1.2%	–
Total	100.0%	100.0%

Primary Endowment Portfolio Performance

The Endowment returned 18.1% (2013 – 10.9%) during the fiscal year ending March 31, 2014. The positive total portfolio performance was driven by strong domestic equity gains coupled with a weaker Canadian dollar which helped boost Global equity holdings over the year.

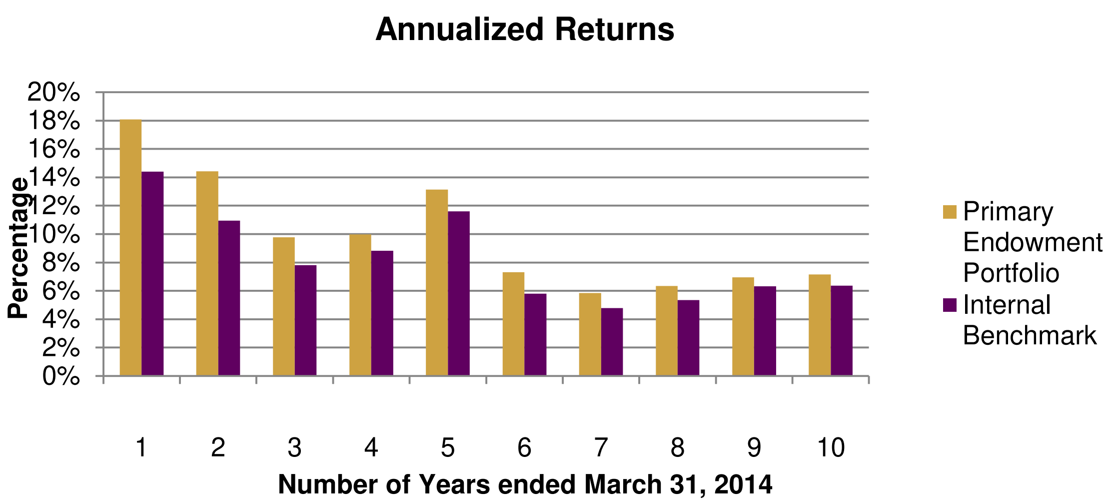
For most of 2013 an improving global economy, the tapering of the U.S. quantitative easing program and pent-up demand for risk assets drove interest rates higher. More recently geopolitical concerns have pushed yields lower and as a result, the Canadian bond mandate, which is indexed to track the performance of the DEX Universe Index, returned a meagre 0.86% (2013 – 5.9%) over the one year period ending March 31, 2014. Over the past year investors continued to pour into the High Yield asset class in search of income and protection from potentially rising interest rates. Against this backdrop, our high-yield bond manager returned 11.9% (2013 – 11.6%) for the year ended March 31, 2014, contributing positively to the Fund's total return.

Over the past year the global economy and financial markets continued to normalize, within Europe, fiscal austerity waned and a rising risk appetite drove markets higher. Over the one year period ending March 31, 2014, the Global Equity mandate, which is indexed to track the performance of the MSCI World Index (excluding Canada) returned a positive 30.2% (2013 – 13.0%). During the year, several emerging market countries saw a slowdown in their growth and as funds flowed towards the developed markets, a number of emerging market currencies fell sharply against the U.S. dollar over the year. As a result the Emerging markets mandate produced a modest 3.3% return over the one year period ending March 31, 2014, the mandate's first full year within the portfolio.

The S&P/TSX Composite Index ended the fiscal year on a strong note, up 16% (2013 – 6.1%) on a total return basis. On a relative basis our Canadian equity managers significantly outperformed the benchmark index returning 25.1% (2013 – 14.8%). As part of that Canadian equity return, the actively managed Canadian small capitalization equity mandate returned a strong 39.5% (2013 – 20.9%) significantly ahead of the BMO Nesbitt Burns Small Cap benchmark index return of 15.9% (2013 – 3.6%).

Our real estate mandate returned 29.2% for the one year period ending March 31, 2014 (2013 – 6.4%). The Foundation intends to increase our Alternative Asset Class (Real Estate, Private Equity, and Infrastructure) exposure over time.

The following graph illustrates the comparative returns of the primary endowment portfolio versus our internal benchmark. The internal benchmark is a policy weighting of comparative passive indexes.



Donor Advised and Donor Restricted Investments

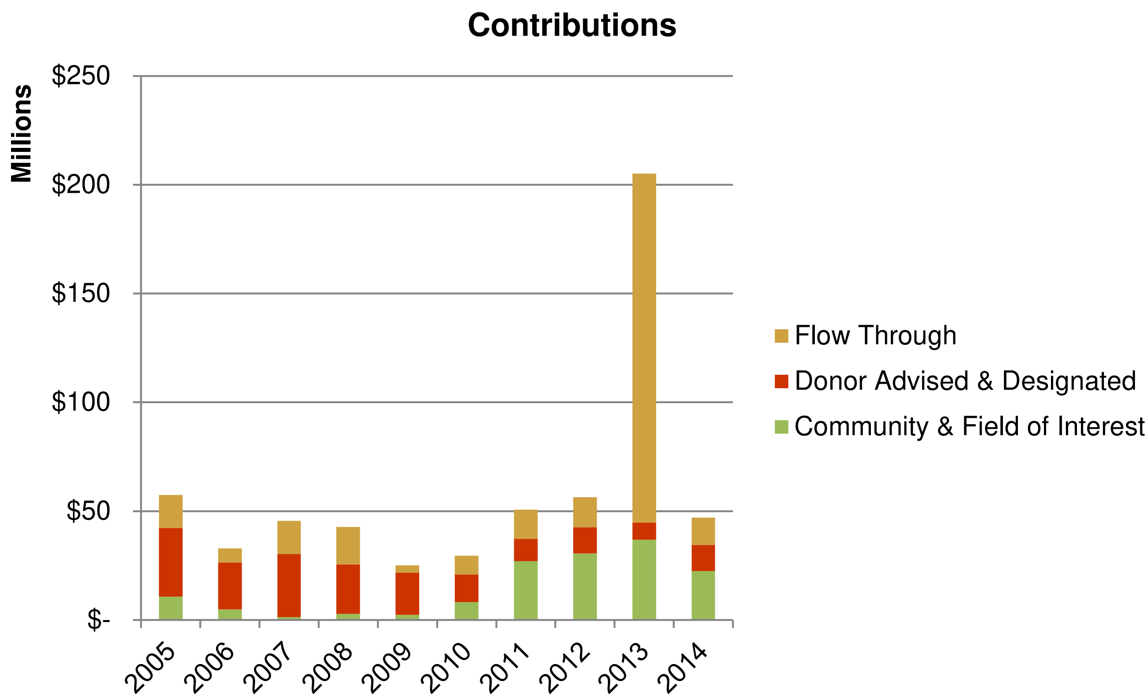
In support of our success in our key result area of Asset Growth, alternatives to investing endowment gifts in the primary endowment portfolio are available.

An alternative is to enable donors to have their endowment gift to the Foundation managed outside the primary endowment portfolio by an investment manager recommended by the donor. Governance policies have been adopted to ensure appropriate oversight and due diligence processes are in place to administer these relationships and appropriately invest and monitor these assets. At fiscal year-end, $15.6 m (2013 – $13.6 m) was invested in Donor Advised investments.

The $1.4 m market value (2013 – $1.1 m) of gifts of securities retained at the direction of the donors – donor restricted securities – represents a second alternative for investing endowment gifts. The specific conditions of the gift agreements establish the manner in which these securities are administered. The agreements limit these types of endowments to a specified term.

OPERATIONS

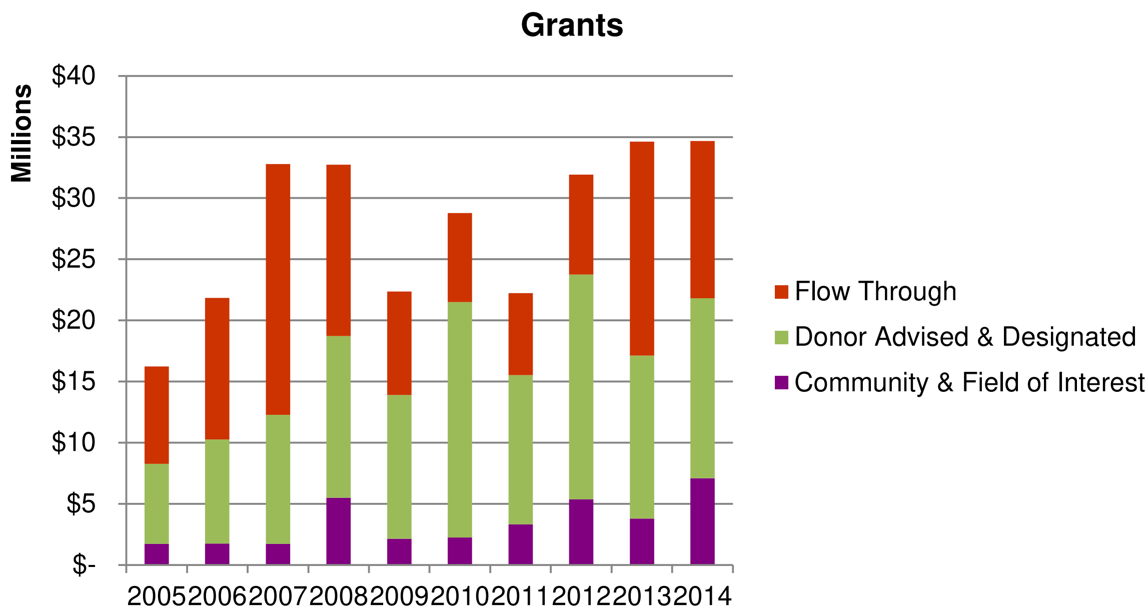
Revenue

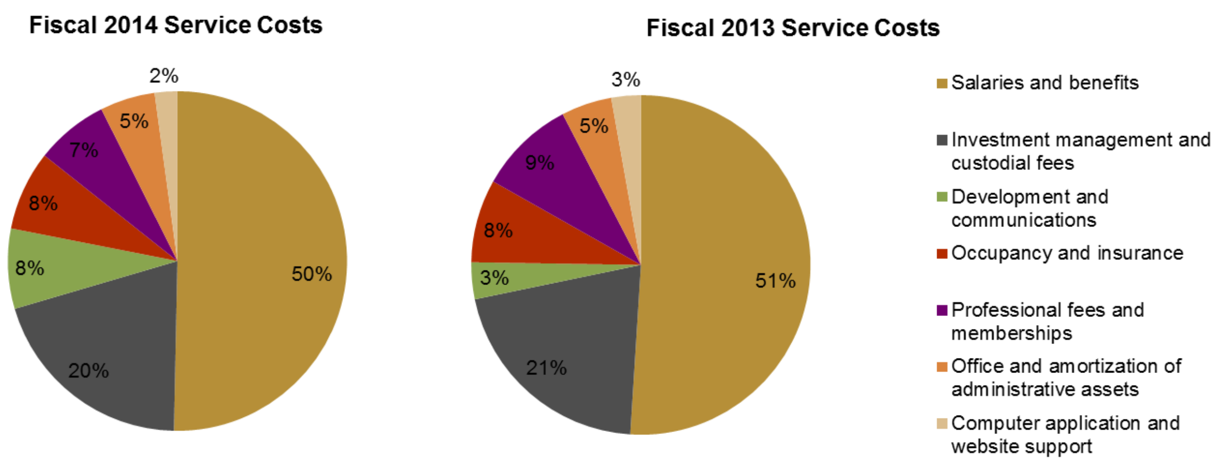


Contributions of non-cash gifts of $7.6 m (2013 – $7.3 m) were received. The vast majority of these non-cash gifts were gifts of securities which were converted to cash and reinvested. Over the past decade, gifts of shares, received primarily in November and December of each year, have made up approximately 1/3 of the value of gifts received but fiscal 2014 and 2013 have seen a significant reduction in that percentage due to a number of substantial cash gifts over the same period.

On average, bequests also make up approximately 1/3 of the gifts to the Foundation. As illustrated in this fiscal year, the trend towards an increase in bequests related to the life cycle of the Foundation and the changing demographics of the city continues. Over the past 59 years, the relationships that have been established between donors, their professional advisors and the Foundation continue to result in the inclusion of legacy gifts in estate planning.

Expenditures





The service costs incurred to execute the strategy and drive performance are distinguished for management purposes between service costs, investment management costs and direct charitable activity. These costs totalled $5.5 m ($4.3 m in 2013). Just under 70% of these costs (70% – 2014, 72% – 2013) are human resource costs ($2.7 m – 2014, $2.2 m – 2013) and investment management costs ($1.1 m – 2014, $0.9 m – 2013).

The year-over-year increase in service costs of $1.2 m was driven in large part by:

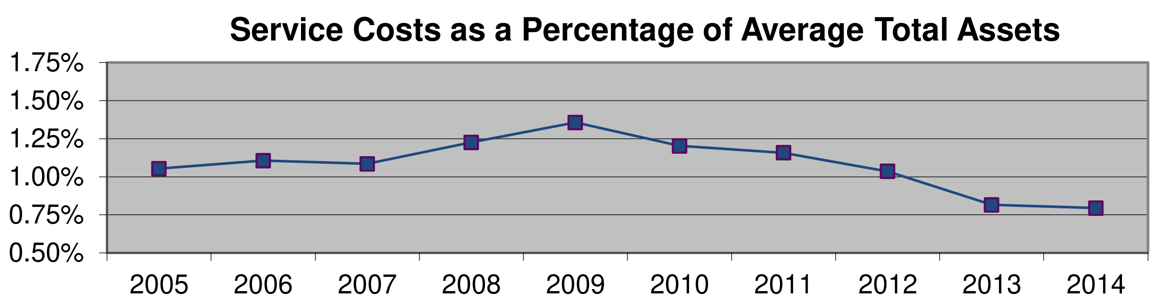
(i) the additional salaries and benefits cost required to service the needs of additional application-based grants programs, raise the level of reporting on the impact of the Foundation's work in the community, manage the increased complexity of the primary endowment portfolio and support the sustainability of charitable organizations in Calgary (+$482 thousand ('k')),

(ii) the added development and communication costs incurred to support the expansion of printed communication vehicles, marketing and promotion activities and celebratory events (+$255 k),

(iii) the increased investment management and custodial fees driven by the growth of the primary endowment portfolio (+$178 k).

Service costs as a percentage of average asset value has been commonly used by community foundations as a benchmark of efficiency. Service costs are impacted by the projects undertaken to support operations, the asset classes and structure of the investment management program, professional and technical costs directly attributable to gift acceptance and charitable initiatives in the community. Strategic planning time horizons and longer term initiatives combined with uneven timing of contributions and short term swings in the capital markets result in dispersion of the ratio around the mean of 1.08% (2013 – 1.12%) over the past decade.

The Foundation aims to manage to a range around 1% of service costs as a percentage of average asset value.



The service and investment management costs incurred to operate the Foundation that are not directly attributable to a particular gift are recovered from the funds. The recovery process is as follows:

(i) A percentage of the market value of the individual endowment funds is recovered by way of a tiered schedule. The amount of this recovery totalled $5.0 m in 2014 and $3.7 m in 2013.

(ii) Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled $1.1 m (2013 – $0.5 m) and represented 14% of the revenue available to satisfy service and investment management costs in the year (8% in fiscal 2013). The interest revenue, continuing to be constrained by historically low short term rates, grew materially year over year due to a slightly higher return and a significantly larger daily average balance in money market instruments and fixed income securities.

(iii) Managed fund fees of $233 k ($196 k in 2013) represented 3% of service costs and investment management for 2014 (4% in 2013). Managed fund deposits, net of withdrawals, totalled $0.1 m in the year ($1.0 m in 2013). As the managed funds are invested in the same way as the Foundation-owned endowment funds, the market impacts this source of revenue in the same manner as i) above.

Direct charitable activity costs are funded from the grant amounts available to spend from Community and Field of Interest funds.

PROSPECTIVE ANALYSIS AND RISKS

Donor Engagement – Prospective Analysis:

The Foundation prepared a research paper on 'The State of Endowment Giving' which brought forward global trends that rationalized both 'Giving While Living' as well as the need for sustained endowment growth. The Foundation also conducted an in-depth donor survey seeking feedback on Foundation responsiveness, our role in community leadership and impact, and our financial practices.

The Foundation help donors carry out their charitable giving goals through a variety of Funds. We provide information about urgent need in our communities and introduce to charities they may not know. We show them why and how they can leave charitable legacies. We provide the level of advice that our donors request. We, in turn, learn from them as we collaborate to make a difference.

Empirical research suggests an increase in patterns of wealth transfer occurring during lifetime that were not evident before the millennium. Anecdotal evidence supports the growth in this pattern. From wealth advisors and financial planners we are told that more assets are being transferred via trusts, partnerships, direct gifts, and other vehicles of transfer during the lifetime of wealth holders than was the case 10 to 15 years ago. An increasing number of individuals are approaching, achieving or even exceeding their financial goals today with respect to the provision for their material needs and doing so at younger and younger ages. This paradigm shift supports the Foundation's ongoing strategy to foster and deepen intergenerational donor family relationships while senior members are still living. Donors' approach to philanthropy in our community has been, and continues to be, predominantly entrepreneurial in nature and is, therefore, well supported by our focused, intentional approach to donor stewardship.

Prospective Risks:

The Foundation assumes that its operations in the 2015 fiscal year will be materially consistent with those in 2014. In November 2012, the Foundation embarked on a structured approach to enterprise risk management wherein a risk register was established and risks were evaluated as to their consequence and likelihood. Three risks were identified as having the highest intersection of consequence and likelihood:

Financial: Erosion of capital

The Foundation's ability to preserve the endowment's *corpus* in perpetuity, maintain the purchasing power of the annual grant distributions and fund the service and investment management costs, depends on the investment returns from the primary endowment portfolio meeting or exceeding these demands.

In order to achieve this long term return objective, the Foundation employs a diversified total return investment strategy. In implementing such a strategy, the Foundation acknowledges some variability of the returns, as there are uncertainties and complexities associated with investing in capital markets. This must be recognized in order to achieve the long-term investment objectives of the portfolio.

In addition, the Board reviews the current disbursement policy and service and investment management costs annually to ensure a balance between preserving the endowment's *corpus* while maintaining and minimizing the volatility of inflation-adjusted distributions from year to year.

Reputational: Media Relations

An impeccable reputation is the Foundation's most important asset. Due to the numerous and increasingly multi-faceted interactions with donors, grant seekers, professional advisors and community representatives, the possibility for miscommunication and misunderstanding leading to negative media exposure has grown. This negative media attention could, in turn, impair the relationships with these stakeholders which are critical to our success in implementing our strategy.

We actively cultivate a strong positive image of the Foundation among its stakeholders and general public. To help protect the positive image, the Foundation has established a media relations and crisis communication strategy. The effectiveness of this strategy relies on the existence of strong relationships with traditional media, experienced management of various communication channels and a defined spokesperson.

The Foundation has evolved by nurturing and building strong relationships, not only with stakeholders and the general public, but also through social media. These strong trusted relationships mitigate the risk to the Foundation and play a major role in helping to advocate for the Foundation and getting positive messages out quickly and accurately.

Strategic: Loss of Distinct Advantage and Relevance

The Foundation is an endowment builder. It is also a community builder. The existing endowments are permanent. The manner in which existing and new endowments help to build community is always evolving. The Foundation has extensive knowledge of the Calgary community which enables it to advise, inform and support donors, charitable organizations and other funders in identifying areas in which to focus financial resources, energy and talent.

The Foundation's vision and mission is broad enough to adapt to changes in the environment that might, without adaptation, lead to the Foundation losing its leadership role in building community in Calgary.

The Foundation is a leader in key community initiatives which allows it to play a vital role as a nexus of interactions between critical organizations, important influencers and necessary resources

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INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS

We have audited the accompanying consolidated financial statements of The Calgary Foundation, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statement of operations, changes in Foundation funds and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Calgary Foundation as at March 31, 2014, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

June 26, 2014

Calgary,Canada

THE CALGARY FOUNDATION

Consolidated Statement of Financial Position

March 31, 2014, with comparative figures for 2013

	2014	2013
Assets (note 3)		
Current assets:		
Cash and cash equivalents	$ 76,194,216	$ 108,497,637
Accrued investment income	726,059	658,954
	76,920,275	109,156,591
Investments, at fair value (note 4)	659,179,229	519,288,328
Loan receivable (note 5)	2,940,576	2,940,576
Other assets (note 6)	1,106,731	1,057,085
	$740,146,811	$ 632,442,580
Liabilities and Net Assets		
Current liabilities:		
Grants payable and accrued liabilities	$ 5,108,290	$ 1,351,078
Deferred flow-through grants (note 7)	102,202,590	132,997,145
	107,310,880	134,348,223
Non-current grants payable	3,234,200	3,033,800
Managed funds (note 8)	21,680,716	18,387,909
Foundation funds:		
Community and Field of Interest funds (note 7)	206,863,250	160,915,173
Donor advised and designated funds (note 7)	401,057,765	315,757,475
	607,921,015	476,672,648
Commitments and contingencies (note 9 and 11 (c))		
	$740,146,811	$ 632,442,580

See accompanying notes to consolidated financial statements.

On behalf of the Board:

____________________ Director   ____________________ Director

THE CALGARY FOUNDATION

Consolidated Statement of Operations and Changes in Foundation Funds

Year ended March 31, 2014, with comparative figures for 2013

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2014	Total 2013
Revenue					
Contributions	$ 22,403,620	$ 12,106,918	$ 12,494,835	$ 47,005,373	$ 205,205,078
Interest and dividends	10,391,392	18,547,768	–	28,939,160	12,493,853
Flow-through funds interest	1,079,609	–	704,937	1,784,546	762,365
Managed funds fees (note 8)	232,630	–	–	232,630	195,889
Realized capital gains (losses), net	1,391,854	2,587,595	(4,204)	3,975,245	(486,074)
Unrealized capital gains (losses), net	20,448,498	38,193,311	(1,082)	58,640,727	26,525,439
Total revenue	55,947,603	71,435,592	13,194,486	140,577,681	244,696,550
Expenditures					
Grants	(7,083,937)	(14,732,193)	(12,855,181)	(34,671,311)	(34,633,267)
Service costs, net (note 10)	(1,912,284)	(3,481,932)	(58,342)	(5,452,558)	(4,310,261)
Total expenditures	(8,996,221)	(18,214,125)	(12,913,523)	(40,123,869)	(38,943,528)
Transfers	(1,003,305)	32,078,823	(31,075,518)	–	–
Decrease (increase) in deferred flow-through grants	–	–	30,794,555	30,794,555	(104,464,485)
Change during the year	45,948,077	85,300,290	–	131,248,367	101,288,537
Balance, beginning of year	160,915,173	315,757,475	–	476,672,648	375,384,111
Balance, end of year	$206,863,250	$401,057,765	–	$607,921,015	$476,672,648

See accompanying notes to the consolidated financial statements.

THE CALGARY FOUNDATION

Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	$131,248,367	$101,288,537
Change in deferred flow-through grants	(30,794,555)	104,464,485
Change in Managed funds (note 8)	3,292,807	2,519,895
Change in funds	103,746,619	208,272,917
Change in non-current grants payable	200,400	(496,640)
Items not involving cash:		
Realized capital (gain) loss on sale of investments	(4,120,491)	313,515
Unrealized capital gain on investments	(60,841,359)	(27,584,258)
Contributions of non-cash gifts	(7,580,053)	(7,269,736)
Grant of publicly listed securities	–	2,974,912
Managed fund fees (note 8)	(232,630)	(195,889)
Amortization of administration assets (note 10)	36,828	36,429
	31,209,314	176,051,250
Changes in non-cash working capital:		
Accrued investment income	(67,105)	(121,880)
Grants payable and accrued liabilities	3,757,212	(51,358)
	34,899,421	175,878,012
Investing activities:		
Purchase of administrative assets	(45,466)	(88,307)
Current portion of loan receivable (note 5)	–	5,000,000
Proceeds from sale of endowment investments	35,023,699	48,388,566
Proceeds from sale of flow-through investments	42,140,640	–
Purchase of endowment investments	(134,264,580)	(79,816,086)
Purchase of flow-through investments	(10,057,135)	(73,428,881)
	(67,202,842)	(99,944,708)
Net increase (decrease) in cash and cash equivalents	(32,303,421)	75,933,304
Cash and cash equivalents, beginning of year	108,497,637	32,564,333
Cash and cash equivalents, end of year	$ 76,194,216	$108,497,637

See accompanying notes to the consolidated financial statements.

1. The Calgary Foundation (the "Foundation")

(a) Description of the Foundation

The Calgary Foundation (the "Foundation") was incorporated in 1955 by The Calgary Foundation Act of the Legislative Assembly of Alberta. The Foundation is a registered charity classified as a public foundation under the Income Tax Act (Canada) and accordingly is exempt from income taxes and can issue donation receipts for income tax purposes.

The Foundation's financial statements are prepared using Canadian accounting standards for Not-For-Profit Organizations in Part III of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

(b) Foundation funds

Community & Field of Interest

These are endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. Field of interest fund grants are restricted to a charitable area, population or region at the time the fund is established.

Donor Advised & Designated

Donor advised funds are endowment funds from which grants are directed to charitable organizations with the advice of donors. Designated funds are endowment funds from which grants are directed to charitable organizations designated at the time the fund is established.

Flow-through

These are funds from which grants are directed to charitable organizations with the advice of donors. These funds are not maintained in perpetuity.

(c) Managed funds

These are funds owned by other charitable organizations and pooled with Foundation assets for investment purposes.

(d) Preservation of purchasing power

To support the policy of preserving the purchasing power of the permanent endowment funds, the Foundation limits the amount of annual grants to a percentage of the market value of each fund.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Foundation, The Calgary Foundation Investment Trust and The TCF Trust. The Calgary Foundation is the sole beneficiary of both The Calgary Foundation Investment Trust, a trust established on August 6, 2009, and The TCF Trust, a trust established on May 29, 2013. On consolidation, all transactions and balances between the Foundation, The Calgary Foundation Investment Trust and The TCF Trust have been eliminated.

The Foundation is the beneficial owner of all of the shares of certain other registered charities. The Foundation has the ability to appoint the majority of these organizations' boards of directors. The accounts of these controlled organizations have not been consolidated with the accounts of the Foundation. Instead, the Foundation discloses financial information about these controlled organizations as specified in the CICA Handbook (note 11). These controlled organizations follow the deferral method of accounting for contributions.

(b) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. The fair value of limited partnership investments in real estate, private equity and infrastructure is calculated using the most recent audited or unaudited financial statements. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Significant accounting policies (continued)

(c) Foreign currency translation

Investments and accrued income receivable denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Investment income denominated in foreign currencies is translated to Canadian dollars at the exchange rate in effect when realized.

(d) Revenue recognition

Interest on bonds and short-term notes are recorded as earned on an accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend. Realized and unrealized capital gains and losses are recorded in the statement of operations when earned.

(e) Contributions

The Foundation follows the restricted fund method of accounting for endowment and flow-through contributions. Contributions are recognized when the amount can be reasonably estimated and collection is assured. Flow-through contributions, not distributed in the year of receipt, are recorded as a liability until the grants are made.

(f) Administrative assets

The Foundation capitalizes and amortizes administrative assets. The assets are amortized over their useful lives of 3 to 5 years using the straight-line method of amortization.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and temporary investments with an original maturity date of three months or less.

2. Significant accounting policies (continued)

(h) Investments

Investments are recognized in the statement of financial position at fair value as established by the closing bid price on a recognized public stock exchange. For investments not quoted on the active market, the Foundation assesses and determines fair value based on available market information.

(i) Use of estimates

The preparation of financial statements 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 revenue and expenses during the period. Estimates include the valuation of investments and the recoverability and useful life of administrative assets. Consequently, actual results may differ from those estimates.

(j) Contributed services

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

3. Assets by fund

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Managed	Total
Cash and cash equivalents	$ 5,506,602	$ 5,444,002	$ 64,944,043	$ 299,569	$ 76,194,216
Accrued investment income	384,648	126,313	207,921	7,177	726,059
Investments, at fair value	203,363,871	394,603,458	39,837,931	21,373,969	659,179,229
Loan receivable	2,940,576	–	–	–	2,940,576
Other assets	132,303	969,428	5,000	–	1,106,731
March 31, 2014	$212,328,000	$401,143,201	$104,994,895	$21,680,715	$740,146,811
March 31, 2013	$164,958,014	$315,836,991	$133,130,776	$18,516,799	$632,442,580

4. Investments

The Foundation records its investments at fair value. The following table is a summary of the fair value of the Foundation's investments.

	2014	2013
Bonds and debentures		
Investment grade	$172,308,878	$167,577,322
High yield	34,604,112	26,530,247
	206,912,990	194,107,569
Stocks		
Canada	198,743,097	146,628,039
International	224,919,723	169,544,463
	423,662,820	316,172,502
Real estate	20,786,044	9,008,257
Private equity	7,817,375	–
	$659,179,229	$519,288,328

5. Loan receivable

The loan receivable relates to the purchase of an historic property which was the beginning of a project to create an integrated, mixed-use 'hub' that provides a dynamic and collaborative environment focused on the incubation and advancement of professional arts practice, social innovation and community development in South Calgary. The project is a collaboration between the Foundation and the Calgary Arts Development Authority ("CADA"), the City of Calgary's designated authority for the development of the arts in Calgary and the municipal granting agency for the not-for-profit arts sector.

The loan is to cSPACE Projects ("cSPACE"), a non-profit company established by CADA to promote, coordinate and facilitate real estate projects that establish affordable facilities, accommodations and education opportunities for artists and registered non-profit organizations operating in the arts or community sector.

In addition, in 2012 the Foundation agreed to grant $3 million over 6 years to the City of Calgary, a municipality qualified to receive a grant from the Foundation, for use by cSPACE in the project. This grant was recorded in the financial statements as a grant expense and payable.

5. Loan receivable (continued)

	2014	2013
Loan to cSPACE repayable in full November 2016 with interest at 4.75% per annum	$2,940,576	$2,940,576

This loan is secured by a mortgage that is registered against the title to the property.

6. Other assets

	2014	2013
Cash surrender value of donated life insurance policies	$ 946,182	$897,382
Miscellaneous	40,272	41,968
Administrative assets, net of accumulated amortization of $448,529 (2013 - $405,605)	120,277	117,735
	$1,106,731	$1,057,085

The Foundation is the beneficiary named under whole life and term life insurance policies as follows:

	2014			2013
	Premiums paid	Cash surrender value	Face value	Face value
Whole life policies	$ 144,143	$ 946,182	$ 15,186,100	$ 15,229,859
Term life policies	17,700	–	673,000	673,000
	$ 161,843	$ 946,182	$ 15,859,100	$ 15,902,859

The cash surrender value is recorded as an asset. As the realizable amount in excess of the cash surrender value is not certain, the Foundation will record the benefits when the receipt of the proceeds can be estimated and collection is reasonably assured.

7. Foundation funds

The capital of the Foundation is comprised of funds for which the Board seeks varying degrees of donor input on grant distribution.

	2014	2013
Community	$ 159,740,217	$121,523,104
Field of Interest	47,123,033	39,392,069
	$ 206,863,250	$160,915,173
Donor advised	$ 201,104,818	$170,383,092
Designated	199,952,947	145,374,383
	$ 401,057,765	$315,757,475
Deferred flow-through	102,202,590	132,997,145
	$ 710,123,605	$609,669,793

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2014 and not granted at fiscal year end, net of investment gains and losses and service costs, if applicable. This amount is deferred and is recorded as a liability until the grants are designated and paid.

8. Managed funds

a) Change in Managed funds

	2014	2013
Increases		
Deposits	$ 405,000	$ 1,232,493
Interest and dividends	1,096,191	528,037
Realized capital gains, net	145,246	172,559
Unrealized capital gains, net	2,200,632	1,058,819
Total increases	3,847,069	2,991,908
Decreases		
Withdrawals	(321,632)	(276,124)
Service fees	(232,630)	(195,889)
Total decreases	(554,262)	(472,013)
Change during the year	3,292,807	2,519,895
Balance, beginning of year	18,387,909	15,868,014
Balance, end of year	$21,680,716	$18,387,909

b) Assets held on the Statement of operations and changes in Foundation funds:

	2014	2013
Canadian Hockey Foundation Fund	$ 8,131,019	$ 6,907,519
Ann & Sandy Cross Conservation Area Fund	3,517,208	2,995,495
CSPG Educational Trust Fund	1,613,108	1,373,101
Estelle J. Siebens Outreach Endowment Fund	1,227,110	1,092,927
Foothills Academy Society Bursary Trust Fund	960,099	855,358
Alberta Stockmen’s Memorial Association Fund	884,275	748,561
Rotary Club of Calgary Managed Fund	860,098	762,496
Fig Tree Charitable Foundation Fund	618,386	555,588
CSEG Foundation Managed Fund	587,768	501,939
Alberta Emerald Foundation Managed Fund	584,042	498,758
Calgary Highlanders Regimental Funds Foundation Fund	533,975	454,878
Calgary Habitat for Humanity House Repurchase Fund	475,817	406,336
Vecova Centre for Disability Services and Research Fund	467,938	398,623
Foothills Academy Tuition Assistance Fund	411,155	366,301
Girl Guides of Canada, Calgary Area Fund	307,341	261,815
Brown Bagging for Calgary Street Kids Society	252,904	–
Christ Church Endowment Trust Managed Fund	248,473	208,214
	$21,680,716	$18,387,909

9. Commitments and contingencies

The Calgary Foundation Investment Trust has unfunded investment commitments relating to real estate, private equity and infrastructure limited partnerships of $133.9 million Canadian (2013 – nil).

	Currency		
	March 31, 2014		
Asset class	Canadian dollar	US dollar	Euro
Commitments, unfunded	$22,500,004	$73,241,638	€20,000,000
Private equity	–	$33,458,115	€20,000,000
Real estate	$22,500,004	$14,783,523	–
Infrastructure	–	$25,000,000	–

At March 31, 2014 the unfunded investment commitments denominated in U.S. dollars is $73.2 million, translated into Canadian dollars in the amount of $81.0 million (2013 – nil). The unfunded investment commitments denominated in Euros is €20.0 million, translated into Canadian dollars in the amount of $30.4 million (2013 – nil). (See Note 4.) The unfunded amounts may be drawn on demand.

The Foundation rents office space under operating leases. The future annual payments are estimated to be:

2015	$ 330,000
2016	330,000
2017	330,000
2018 (to September 30, 2017)	170,000
	$ 1,160,000

10. Service Costs

	2014	2013
Salaries and benefits	$2,672,397	$2,189,664
Investment management and custodial fees	1,068,969	890,793
Development and communications	404,961	150,314
Occupancy and insurance	402,740	340,233
Professional fees	368,198	290,711
Office	241,350	170,402
Memberships	122,932	104,313
Computer application and website support	114,512	120,445
Amortization of administration assets	36,828	36,429
Premiums to maintain life insurance policies	161,843	174,831
Contributions to pay premiums to maintain life insurance policies	(142,172)	(157,874)
	$5,452,558	$4,310,261

The Foundation recovers service costs from Community & Field of Interest and Donor Advised & Designated funds by way of a cost recovery based on the market value of each fund. Service costs are charged to Managed funds in accordance with the agreements. Expenses incurred for a specific fund are charged to that fund.

11. Controlled organizations

(a) Esther Honens Calgary International Piano Competition Foundation

The Foundation is the beneficial owner of all the shares of the Esther Honens Calgary International Piano Competition Foundation (“Competition Foundation”) which is responsible for a piano competition held every three years. The Competition Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation’s Esther Honens International Piano Competition Foundation Fund, Honens Future Growth Fund, American Friends of Canada Fund and, added in the year, the Honens Legacy Partners Fund are endowment funds that provide annual revenue to the Competition Foundation. At March 31, 2014 the market value of the four funds totalled $9.7 million (2013 – three funds totalled $7.6 million).

Esther Honens Calgary International Piano Competition Foundation		
As at and for the year ended	December 31, 2013	December 31, 2012
Revenues	$ 2,235,442	$2,379,857
Revenues from the three endowment funds	337,254	337,061
Expenses	2,430,769	2,835,059
Assets	567,341	900,279
Liabilities	284,362	421,971
Accumulated surplus	282,979	478,308

(b) Eleanor Luxton Historical Foundation

The Foundation is the beneficial owner of all the shares of the Eleanor Luxton Historical Foundation (“Luxton Foundation”). The Luxton Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The purpose of the Luxton Foundation is to preserve and promote the historical real estate and artifacts relating to the original settlements of the Banff area. The Foundation holds the Luxton Historical Foundation Fund, which provides annual revenue to support the Luxton Foundation. At March 31, 2014 the Luxton Historical Foundation Fund had a market value of $4.8 million (2013 - $4.2 million).

11. Controlled organizations (continued)

(b) Eleanor Luxton Historical Foundation (continued):

Eleanor Luxton Historical Foundation		
As at and for the year ended	December 31, 2013	December 31, 2012
Revenues	$279,130	$317,975
Revenues from the endowment fund	191,146	182,595
Expenses	229,232	274,027
Assets	1,041,957	1,024,745
Liabilities	6,361	39,047
Unrestricted net assets	91,938	42,278

(c) Kahanoff Centre for Charitable Activities

On July 4, 2012, the Foundation received a gift of the beneficial ownership of all of the shares of the Kahanoff Centre for Charitable Activities ("Kahanoff Centre"). The Kahanoff Centre provides office and conference space to Calgary not-for-profit organizations at discounted rates, to the benefit of the Calgary community. The Kahanoff Centre was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act.

Kahanoff Centre for Charitable Activities		
As at and for the year ended	December 31, 2013	December 31, 2012
Revenues	$2,718,930	$2,423,299
Expenses	2,456,702	2,565,486
Assets	16,969,949	16,380,926
Liabilities	7,014,453	6,821,554
Unrestricted surplus (deficiency)	262,228	(5,801,209)

In the Kahanoff Centre's fiscal year ended December 31, 2013, 5,667,313 shares with an aggregated value of $5,667,313 were cancelled. Upon cancellation, the share capital and unrestricted deficiency were reduced by the amount of the cancelled shares.

In the Foundation's fiscal year ended March 31, 2014, no grants were made from Community and Field of Interest funds to the Kahanoff Centre (2013 - $100,000).

11. Controlled organizations (continued)

(c) Kahanoff Centre for Charitable Activities (continued):

The Kahanoff Centre is undertaking an expansion of its capacity to provide office space to Calgary not-for profit organizations by constructing a second building on property owned by the Kahanoff Centre immediately to the east of its existing building. The Foundation has committed to guarantee up to $32 million of financing for construction and the retirement of existing debt until a term loan, expected to be obtained in early 2016 by the Kahanoff Centre, replaces the financing. As of March 31, 2014, the Kahanoff Centre has borrowed $1.2 million in construction financing (2013 – nil).

12. Significantly influenced organization

Calgary Stampede Foundation

The Foundation is the beneficial owner of one of the two authorized, issued and outstanding shares of the Calgary Stampede Foundation ("Stampede Foundation"). The Stampede Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation has a right to appoint a minority of the Stampede Foundation's board of directors. The Stampede Foundation's objective is to establish programs for the benefit of young residents of Southern Alberta to advance their knowledge and understanding of the history, heritage, traditions and culture of Alberta.

In the Foundation's fiscal year ended March 31, 2014, grants totalling $1,067,589 were made by the Foundation from Donor Advised & Designated and Flow-through funds to the Stampede Foundation (2013 - $259,184).

13. Fund-raising expenses and other

As required under Section 7(2) of the Regulations of the Charitable Fund-raising Act of Alberta, the Foundation discloses that the service costs incurred for the purposes of soliciting contributions were $2,236 (2013 - $1,882) The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was $202,628 (2013 - $165,102).

No single disposition of contributions equalled or exceeded 10% of the gross contributions received in either fiscal 2014 or 2013.

14. Financial instruments

The following is a summary of the inputs used in valuing the Foundation's investments using the fair value hierarchy.

	Investments at fair value as at March 31, 2014			
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	$ –	$172,308,878	$ –	$ 172,308,878
Bonds and debentures, High yield	–	34,604,112	–	34,604,112
Stocks, Canada	198,743,097	–	–	198,743,097
Stocks, International	224,919,723	–	–	224,919,723
Real estate	–	–	20,786,044	20,786,044
Private equity	–	–	7,817,375	7,817,375
	$ 423,662,820	$206,912,990	$ 28,603,419	$ 659,179,229

	Investments at fair value as at March 31, 2013			
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	$ –	$ 167,577,322	$ –	$ 167,577,322
Bonds and debentures, High yield	–	26,530,247	–	26,530,247
Stocks, Canada	146,628,039	–	–	146,628,039
Stocks, International	169,544,463	–	–	169,544,463
Real estate	–	–	9,008,257	9,008,257
	$ 316,172,502	$ 194,107,569	$ 9,008,257	$ 519,288,328

• Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the year.

14. Financial instruments (continued)

The fair value of the limited partnerships in real estate, private equity and infrastructure is determined using accepted industry valuation methods at the discretion of the external investment managers or General Partner.

15. Financial risk management

The Foundation has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

The Foundation adheres to Statements of Investment Policy, approved by the Board of Directors, which outline the objectives, policies and measures related to its investing activities. These policies prescribe qualitative and quantitative parameters around the investments held by the Foundation in its pooled funds in order to moderate the financial risks. The Board of Directors is accountable for the establishment and oversight of the Foundation's risk management framework.

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment resulting in a financial loss to the Foundation. The fair value of a financial instrument takes into account the credit rating of its issuer. The Foundation's investments in cash equivalents and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by ensuring compliance with the limits to the credit exposure for the pooled funds and engaging a professional investment manager to actively evaluate the creditworthiness of the issuers of the high yield debt. Cash equivalents are substantially all Government of Canada Treasury Bills. As at fiscal year end, the Foundation's credit exposures in its fixed income portfolios were as follows:

15. Financial risk management (continued)

(a) Credit risk (continued):

	Percentage of the market value of the fixed income portfolios	
	2014	
Credit rating	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$172,308,878	$34,604,112
AAA	41.7%	0.3%
AA	30.8%	7.9%
A	21.2%	3.4%
BBB	6.3%	7.4%
BB	–	27.2%
<BB	–	53.8%

	Percentage of the market value of the fixed income portfolios	
	2013	
Credit rating	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$167,577,322	$26,530,247
AAA	37.9%	–
AA	39.0%	–
A	18.7%	1.2%
BBB	4.4%	3.6%
BB	–	26.1%
<BB	–	69.1%

The management of credit risk has not changed materially during the year.

15. Financial risk management (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its liabilities as they fall due. Substantially all of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain sufficient cash positions to manage liquidity. The Foundation's exposure to and management of liquidity risk has not changed materially during the year.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(i) Currency risk:

Investments in securities denominated in foreign currencies are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market common stock and its foreign market bonds and debentures, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's Statements of Investment Policy is to control currency risk by limiting the allocation to non-Canadian denominated securities and maintaining a geographically diversified portfolio.

Currency	Percentage of the market value of investments	
	2014	2013
Investments, at fair value	$659,179,229	$519,288,328
Canadian dollar	64.1%	64.7%
US dollar	20.7%	20.4%
Euro	4.1%	3.1%
British pound	2.6%	2.5%
Japanese yen	2.3%	2.3%
Other	6.2%	7.0%

15. Financial risk management (continued)

(i) Currency risk (continued):

Total hedged and unhedged investments held in foreign currencies as at March 31, 2014 was $241,910,342, 36.7% of investments (2013 - $183,181,011, 35.3% of investments). The most significant exposure to currency risk is $136,214,920, 20.7% of investments (2013 – $105,748,506, 20.4% of investments) denominated in US dollars and not hedged to the Canadian dollar. A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at March 31, 2014 would have increased (decreased) net assets and investment income for the year by $13.6 million (2013 – $10.6 million). This analysis assumes that all other variables, in particular interest rates, remained constant.

(ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments held by the Foundation. Duration is a common measure of the sensitivity of the price of a bond to a change in interest rates. At fiscal year end, the bond portfolios had an average duration as follows:

	2014	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$172,308,578	$34,604,112
Duration (years)	4.8	4.1
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	$(8.3 million)	$(1.4 million)
Approximate resulting percentage decrease	(4.8%)	(4.1%)
Assumed decrease in interest rates	–1%	–1%
Approximate resulting increase in value	$8.3 million	$1.4 million
Approximate resulting percentage increase	4.8%	4.1%

15. Financial risk management (continued)

(ii) Interest rate risk (continued):

	2013	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$167,577,322	$26,530,247
Duration (years)	3.9	3.9
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	$(6.5 million)	$(1.0 million)
Approximate resulting percentage decrease	(3.9%)	(3.9%)
Assumed decrease in interest rates	–1%	–1%
Approximate resulting increase in value	$ 6.5 million	$ 1.0 million
Approximate resulting percentage increase	3.9%	3.9%

(iii) Equity price risk:

Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Foundation is exposed to equity price risk on its equity portfolio. The Statements of Investment Policy apply to all investments held in the Foundation's pooled funds and it includes restrictions regarding the minimum and maximum amount of equities, bonds, and cash and cash equivalents. The diversification across various asset classes is expected to decrease the volatility of portfolio returns due to the lack of correlation between the returns of the various asset classes.

15. Financial risk management (continued)

(iii) Equity price risk (continued):

	2014	
	Canada	International
Stocks, at fair value	$198,743,097	$224,919,723
Assumed increase in market prices	+8%	+8%
Approximate resulting increase in value	$15.9 million	$18.0 million
Assumed decrease in market prices	–8%	–8%
Approximate resulting decrease in value	$(15.9 million)	$(18.0 million)

	2013	
	Canada	International
Stocks, at fair value	$146,628,039	$169,544,463
Assumed increase in market prices	+8%	+8%
Approximate resulting increase in value	$11.7 million	$13.6 million
Assumed decrease in market prices	–8%	–8%
Approximate resulting decrease in value	$(11.7 million)	$(13.6 million)

16. Subsequent event

On April 10, 2014, the Foundation entered into an agreement with a controlled organization, the Kahanoff Centre, to rent office space under an operating lease. The future annual payments under the lease, in addition to the existing lease (see Note 9), are estimated to be:

2015	$ –
2016	150,000
2017	450,000
2018	450,000
2019 and after	3,450,000
	$4,500,000