

# Calgary Foundation

Annual Financial Report

6/18/2015

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Year Ended March 31

**2015**

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## Management Discussion and Analysis

### For the year ended March 31, 2015

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*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, 2015, compared to the preceding year. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 18, 2015. 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 activity, 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 for community, forever – to nurture a great community that supports all people, where a strong charitable sector addresses community needs now and in the future. To achieve this vision, the Calgary Foundation:

- Knows the community and its needs and opportunities
- Engages citizens in community building
- Inspires philanthropy and matches donors with the needs about which they care deeply
- Builds a permanent endowment to address the needs of today and the needs of tomorrow that we cannot yet see
- Strengthens charities in all parts of the sector (360 degrees)

## STRATEGY AND KEY RESULT AREAS

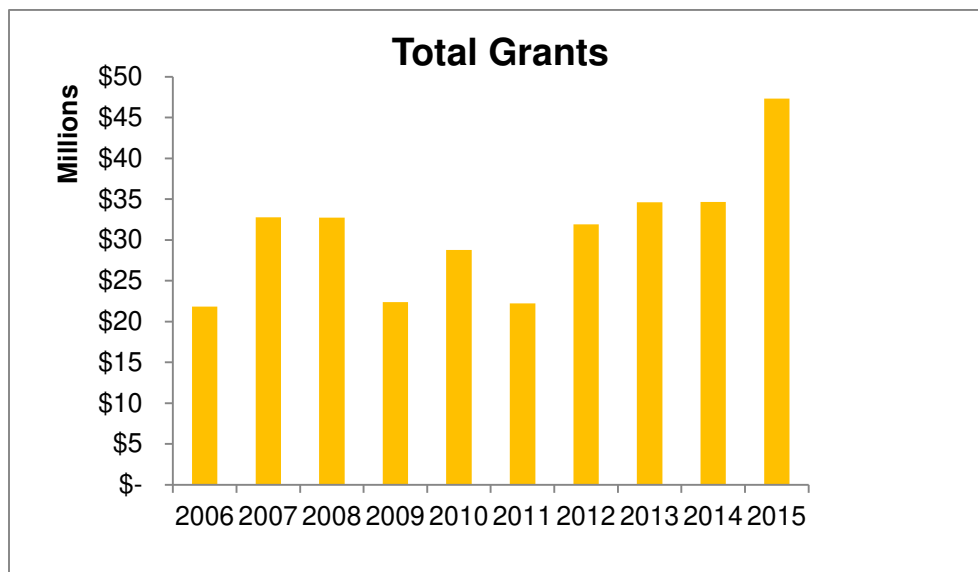
### Leadership in community building

*Desired Impact: Charitable sector is strengthened and citizens are engaged through the Foundation's grants and community initiatives.*

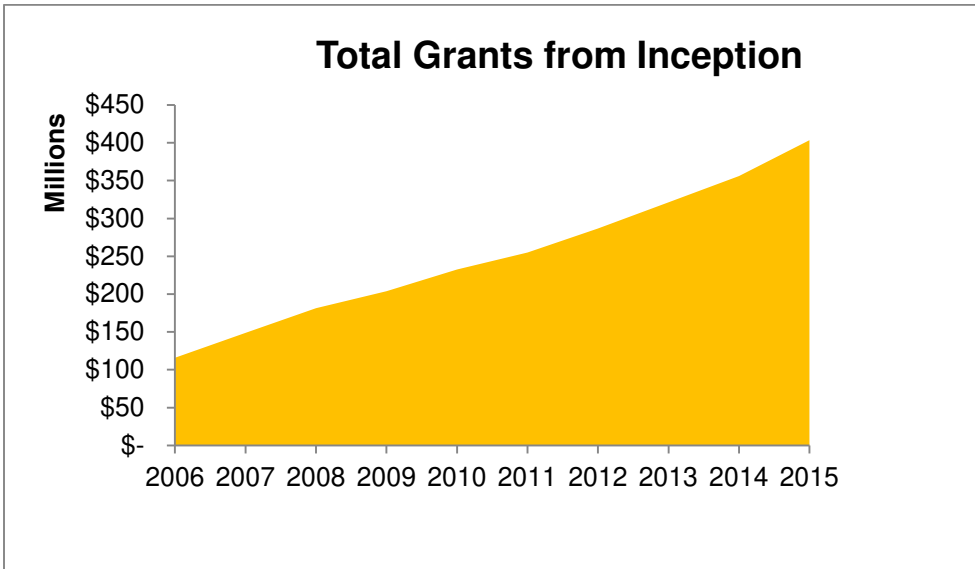
#### Grants

Gifts to other registered charities, or grants, are made annually from both endowed and non-endowed funds. As grants from endowed funds are a percentage of the market value of the fund at fiscal year end, it is expected that as the market value of endowed funds and the number of endowed funds grow, the dollar amount of grants will grow.

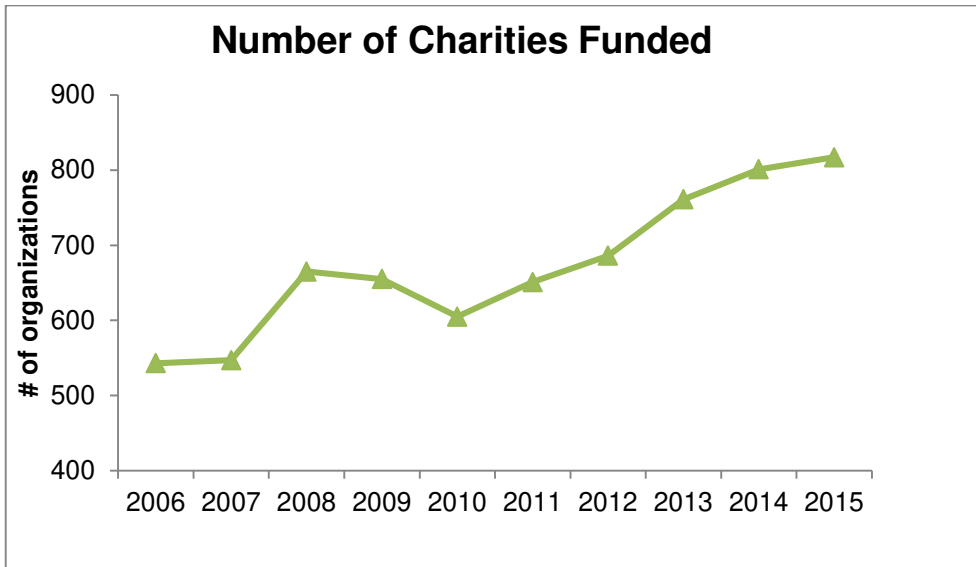
The dollar amount of grants in a year is also affected by the size, number and timing of grants from non-endowed funds.



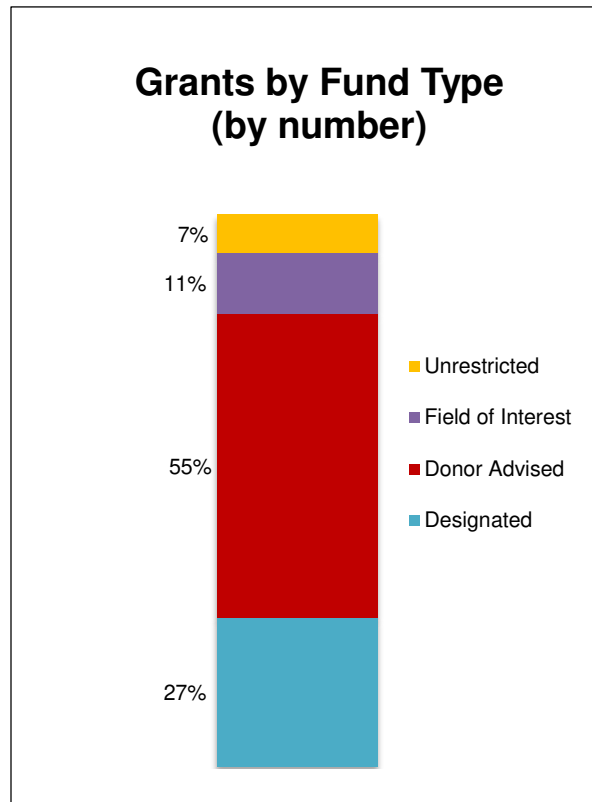
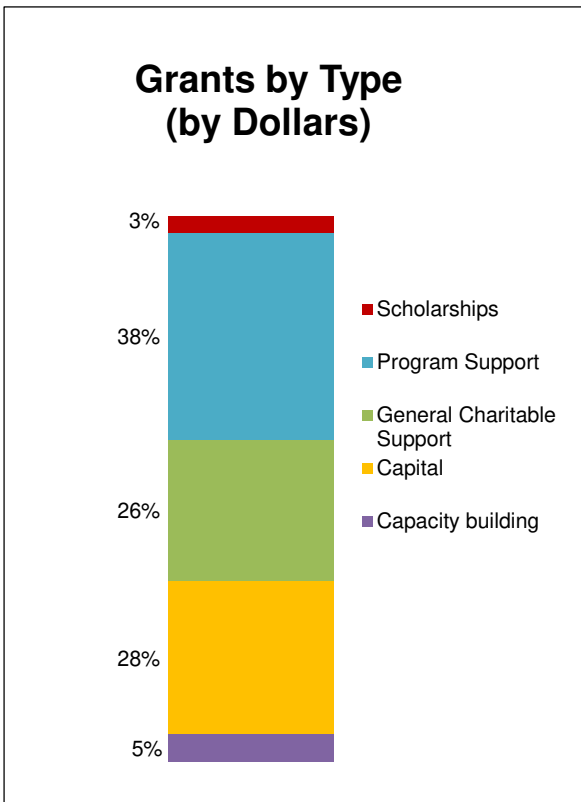
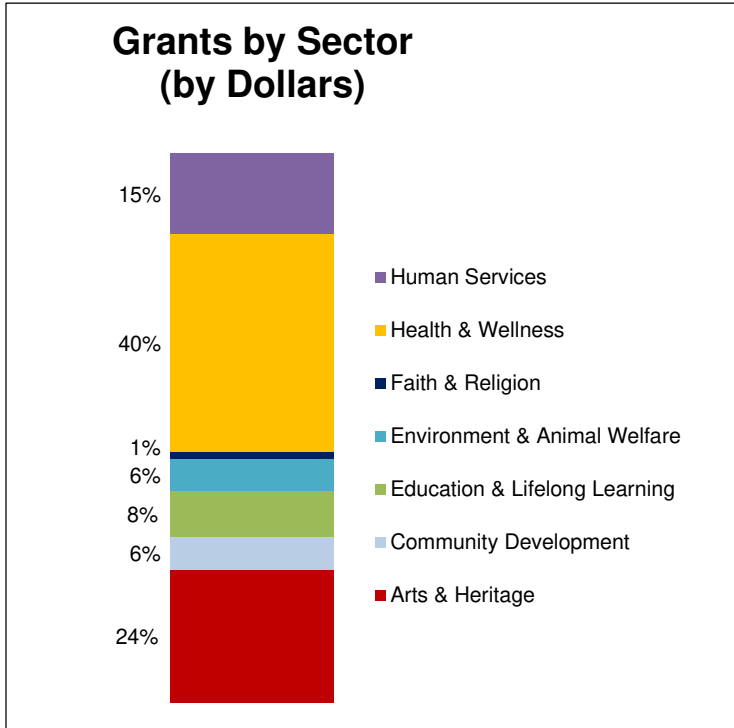
The total dollar value of grants from the Foundation from inception in April 1955 to the end of March 2015 is approximately \$403 million. Almost three-quarters of that amount (\$309 million) has been distributed to registered charities and like organizations in the last ten years.

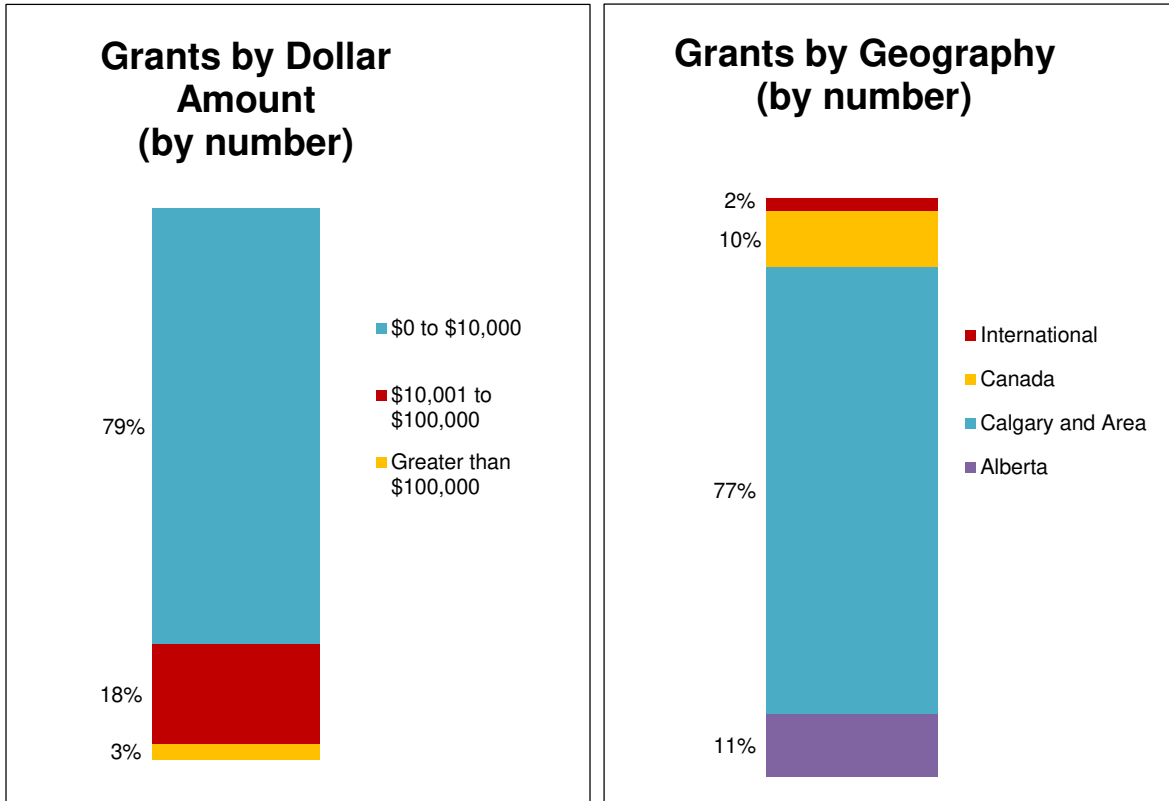


As with the trend in the dollar amount of grants distributed, the number of charitable organizations who have received grants each year from the Foundation has also trended upwards. This upward trend was materially interrupted only in 2010. The reduction in organizations funded in that year can be traced to the concentration of granting resources towards the larger, institutional charities that were negatively impacted by the financial repercussions of the 2008-2009 financial crisis.



The following five charts offer insight into the total amount granted in fiscal 2015:

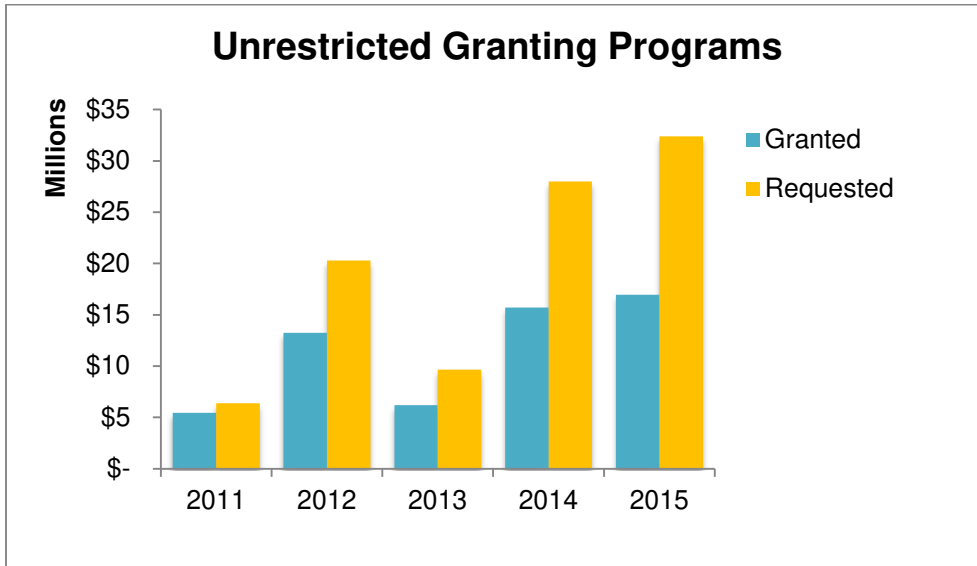




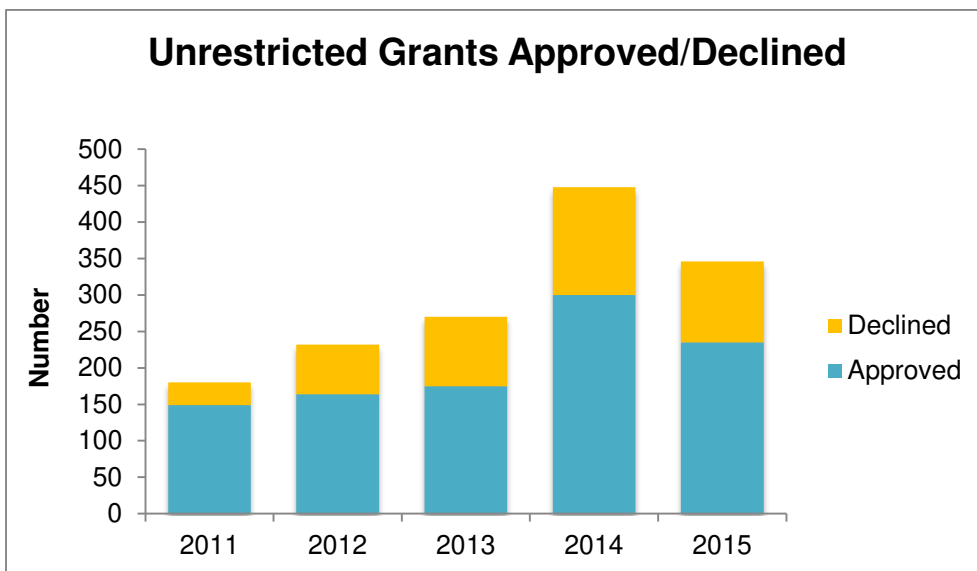
Unrestricted granting programs are funded by the Community and Field of Interest funds. These funds are generally endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. These granting programs are application based and encompass the following:

- Community Grants to support initiatives that respond to emerging community issues and evolving priorities,
- Neighbour Grants to support resident-led projects that help create and strengthen the bonds of neighbourliness,
- Small Grants to support organizations to take advantage of unique opportunities to advance their work,
- Organization Transformation Grants for specific types of initiatives that support organizations in times of transition toward sustaining the long-term impact of their work,
- Stepping Stones Grants to encourage active citizenship by helping residents undertake small creative projects – neighbourly first steps – that benefit their local community.
- Major and Signature Grants to assist charitable organizations in all parts of the charitable sector by providing grants to support single or multi-year, large-scale charitable initiatives that are broad in scope and transform our community. Grants support local or national initiatives that impact Calgary and area by addressing major issues and encouraging participation in charitable activities from a great number of citizens.
- Flood Grants to support registered charities in long-term rebuilding and recovery efforts in Calgary and area - which includes the hardest hit areas of High River, Canmore, and

surrounding First Nation reserves. These grants are funded by the Flood Rebuilding Fund established following the southern Alberta floods of June 2013.



The increase in the number and amount of grant applications and the by-product of the increase in the number and amount of applications declined in fiscal 2014 were both driven by a significantly larger amount of requests for funding related to flood recovery initiatives and the exposure garnered by the promotion of Daryl K. 'Doc' Seaman's \$117 million bequest to the Foundation.





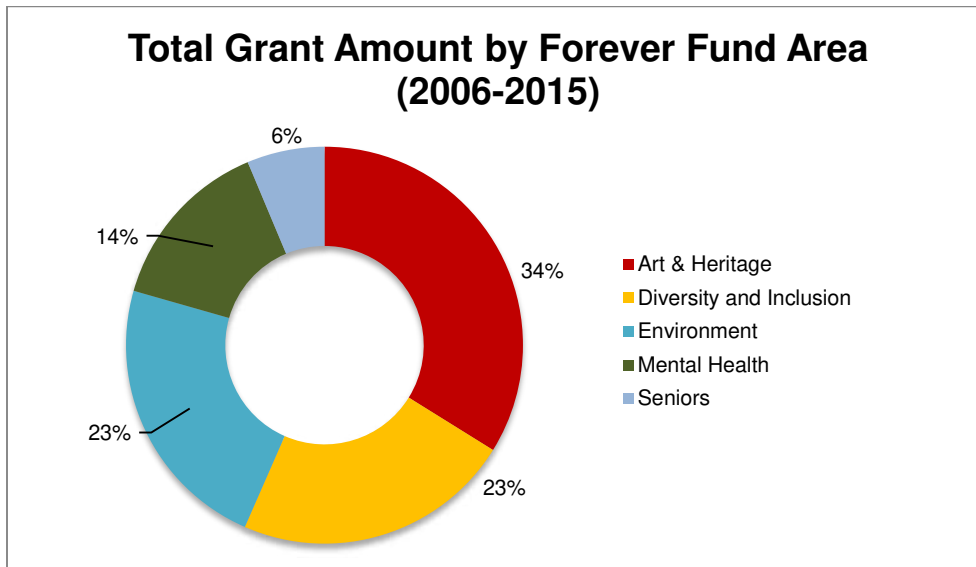
## Community Initiatives

Knowledge of community needs and the work of charitable organizations across all sectors, derived from 60 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, and our capacity building initiatives for grant recipients, is the direct charitable activity of the Foundation. Throughout the year it included:

### Forever Funds Signature Projects

The Foundation launched the Forever Funds initiative in 2005, in conjunction with the Foundation's 50<sup>th</sup> 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 more recently as part of the Foundation's work on the Governor General's Smart and Caring initiative.

The \$28.6 million in grants specifically identified to the strategic priority areas over the last ten years were made in the following areas:



The two signature projects that have been implemented under the Forever Funds 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, 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.

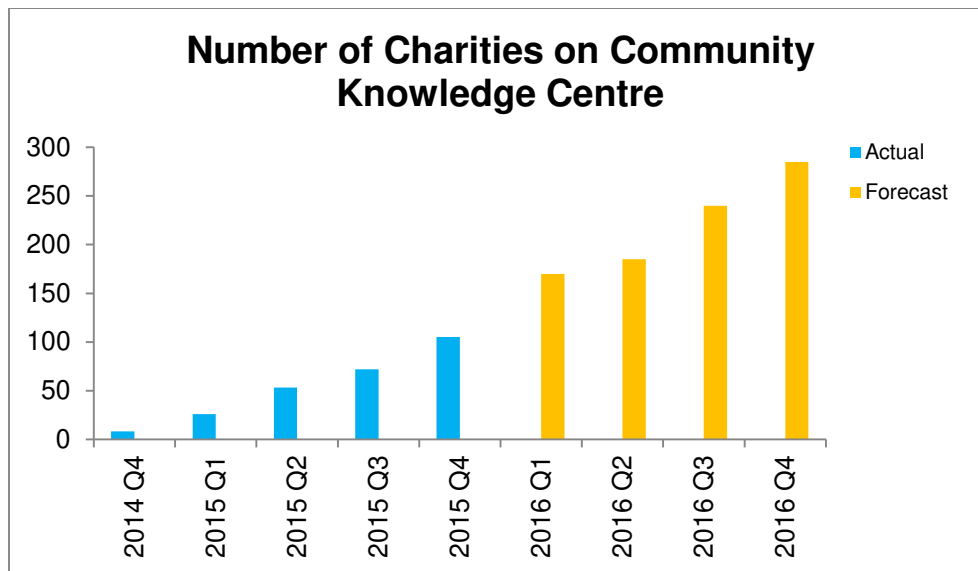
## 2. Harvie Passage (on the Bow River)

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. Government officials are reviewing initial plans for a redesigned Harvie Passage.

The Foundation will always maintain its 360 degree orientation supporting all areas of the charitable sector. The Foundation has determined that it is time to re-examine and shift Forever Funds to reflect today's community needs, while still honouring the original goals of the initiative. Work is underway to evolve Forever Funds to address current community issues. Based on the intelligence gained from the Vital Signs® reports and our broad community knowledge, the Foundation has begun the process of identifying potential "Vital Priorities" that will increase focus to its efforts over the next ten years. Our "Vital Priorities" will address issues that require increased leadership and funding as compared to other areas.

### Community Knowledge Centre

The Community Knowledge Centre ("CKC") online platform was 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.

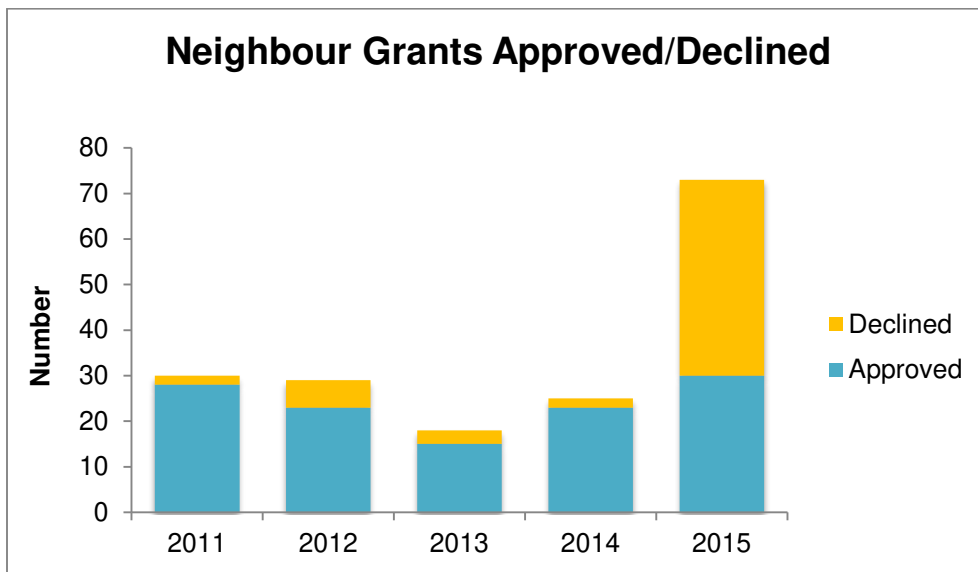


### Calgary's Vital Signs®

Published annually since 2007, 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. Involvement 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. The Foundation launched the initiative to increase the effectiveness of our grant making, better inform our donors about opportunities and to spark discussion within the community. We asked Calgarians to grade across the following areas in 2015: living standards, thriving populations, environment, lifelong learning, arts, community connections, wellness and overall quality of life. Vital Signs® is coordinated nationally by Community Foundations of Canada, the national membership organization for community foundations of which the Foundation is a member.

### 'Soul of the City' Neighbour Grants

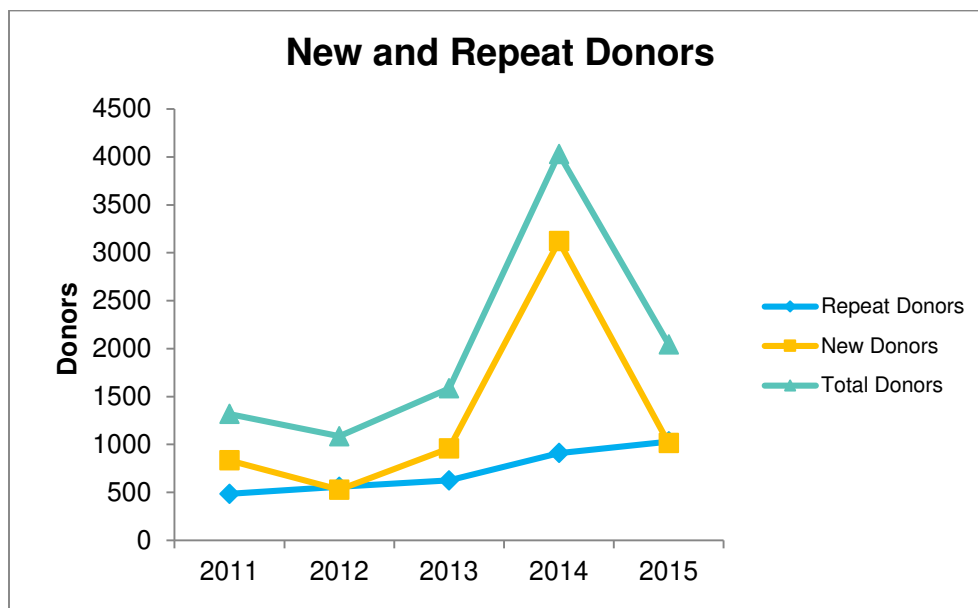
The Neighbour Grants program has been in existence for over 15 years. In fiscal 2015, the first annual 'Soul of the City' Neighbour Grants expanded awareness of how Foundation grants can help people create and strengthen a sense of belonging right in their own neighbourhoods and communities. 'Soul' asked Neighbour Grant applicants to do more than fill out an application; they were asked to present their neighbourly project idea to a live studio audience who then voted in real time to select the top five grant projects. The winning projects each received \$5,000 and a spot in the award-winning documentary "Our City, Our Soul: Five Neighbourhood Stories". Neighbour Grant data suggest that, as a result, more people were inspired to think of their own project ideas and apply.



## Donor Engagement

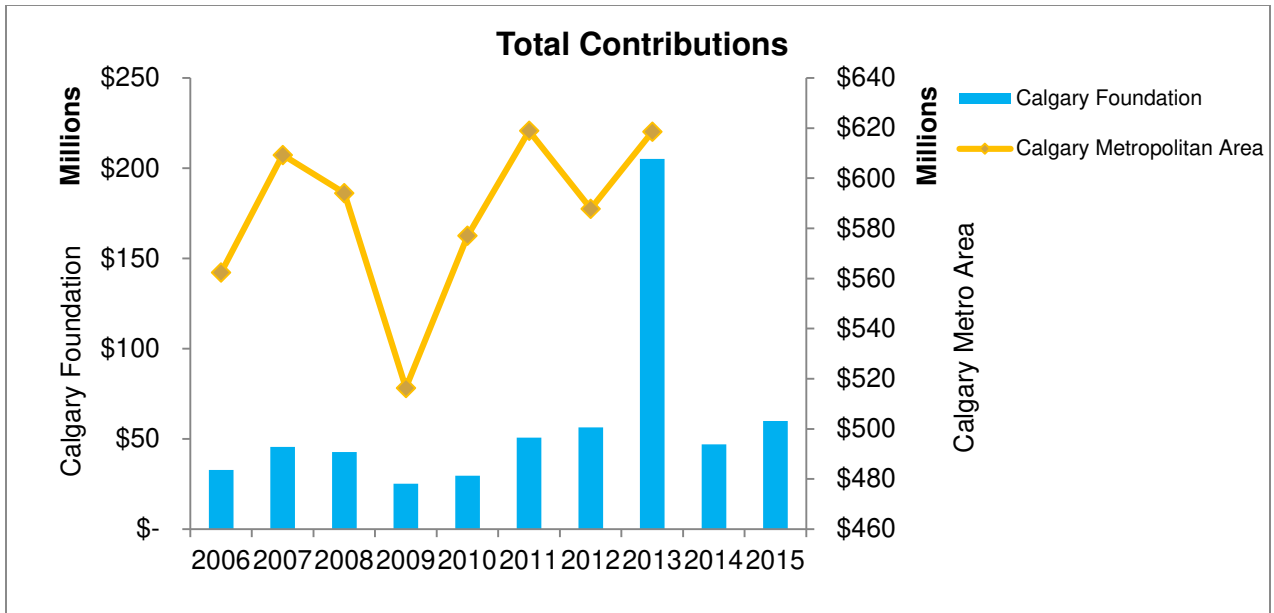
*Desired Impact: Existing and potential donors, donor families, professional advisors and charitable partners experience the unique value the Foundation brings, affirming the Foundation as the philanthropic partner of choice for them in achieving their charitable goals and aligning themselves with a leader that is actively engaged in strengthening the community forever.*

The Foundation seeks to inspire giving. Gifts to all charitable organizations in Calgary are celebrated. Although the number of donors to the Foundation has increased since 2011 – with outsize growth in fiscal 2014 because of Calgary’s dramatic response to the Flood Rebuilding Fund – we do measure those who have given more than once as we believe that the Foundation’s depth of knowledge of the philanthropic community will cause donors to wish to work with us repeatedly.



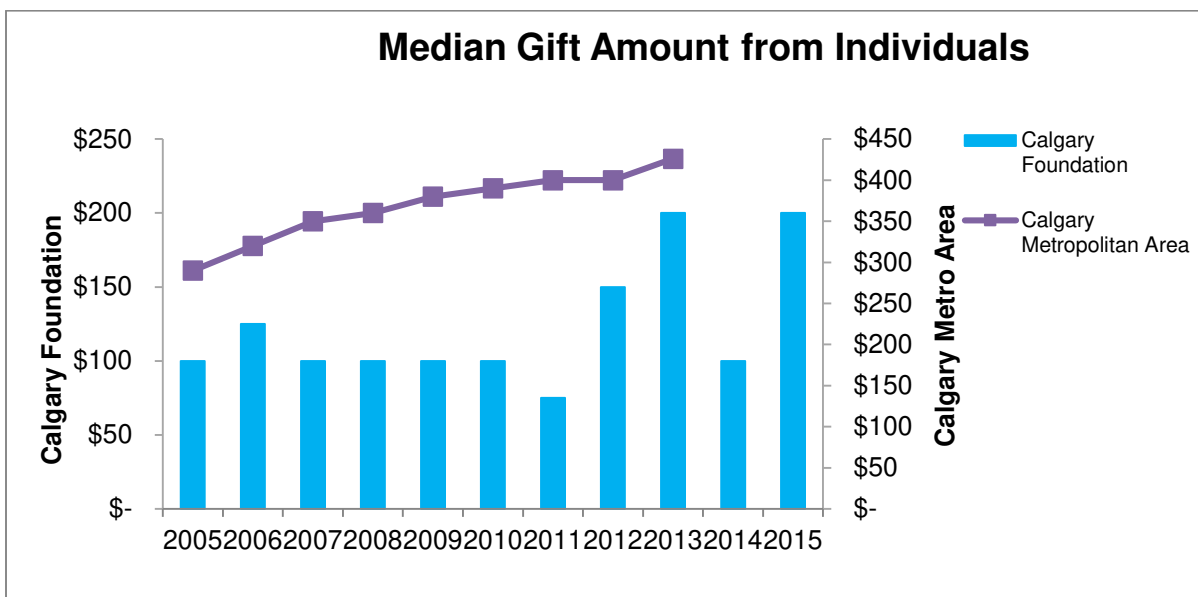
The Foundation is committed to engaging donors by identifying community needs of interest for them, fostering stronger relationships and adding greater meaning to their philanthropy. This engagement may lead to the giving of gifts and/or the establishment of individual funds as a means to carry out the donors’ philanthropic wishes.

In very general terms, the trend line of donors’ contributions to the Foundation mirrors the trend line of tax-receipted charitable donations claimed on tax returns for individuals resident in Calgary and area – except for the impact of one very large gift to the Foundation in the 2013 fiscal year. Although calendar 2013 saw a return to 2011 levels for the total of tax-receipted gifts made by individuals in Calgary and area, the Foundation’s largest single gift was almost quadruple the amount of the fiscal 2011 contributions to the Foundation.



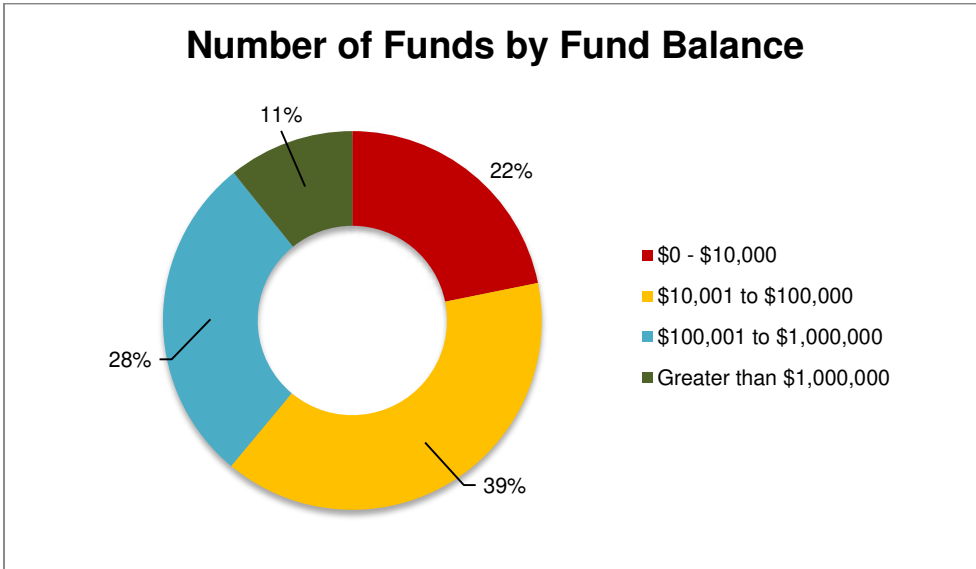
Source: Statistics Canada. Table 111-0001 - Summary of charitable donors, annual-calendar, CANSIM (database)

The Foundation welcomes gifts of any size knowing that each gift – the impact multiplied when endowed – has the ability to further the mission. Although individual funds are established with a minimum of \$10,000 (or a commitment to reach \$10,000 in the near-term) in order to maximize the impact of grants from the fund and use operational resources in an efficient manner, gifts of any amount can build existing funds. The fund minimum was recently increased from \$5,000, which was in place for a number of decades, in order to keep up with inflation.

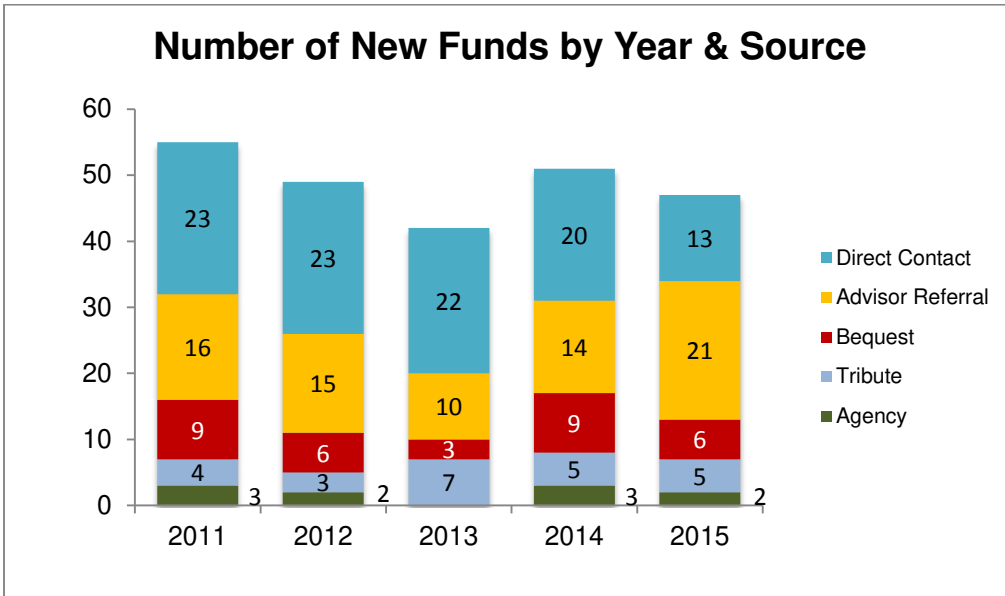


Source: Statistics Canada. Table 111-0001 - Summary of charitable donors, annual-calendar, CANSIM (database)

Over 60% of all the individual funds (numbering approximately 660 out of a total of over 1,100 funds) at March 31, 2015 had balances below \$100,000 with roughly 1/3 of that amount representing funds established with less than \$10,000.



The Foundation works with existing and potential donors to create funds in many and varied ways that best suit each individual or organization. The number of new funds established each year, both living and testamentary, has varied within a relatively narrow range over the past five years. Direct contact with donors has, over the four years prior to 2015, been the primary source of individual funds. The impact of referrals by professional advisors has been a significant contributor to the establishment of funds throughout the time frame presented but saw significant growth in 2015.

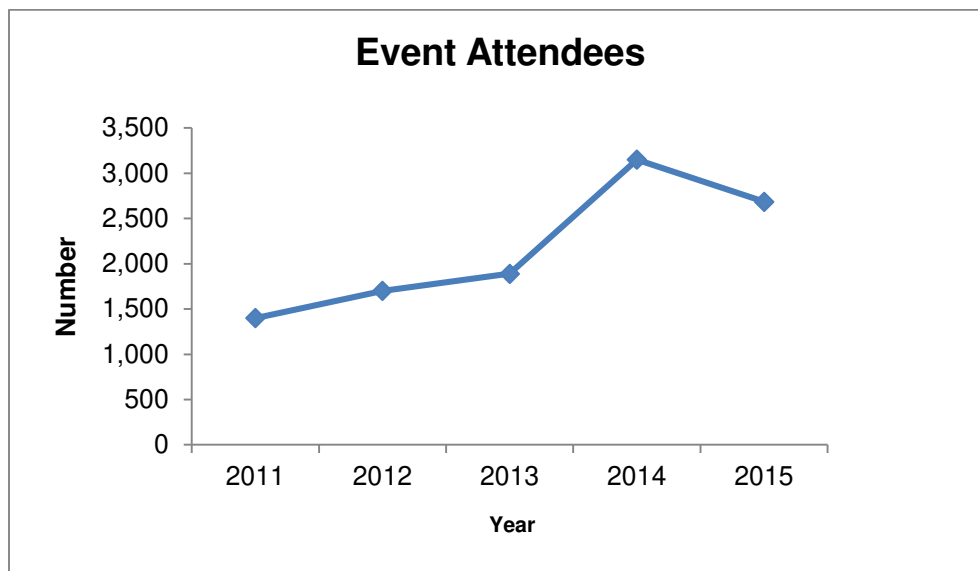


## Public Confidence and Reputation

*Desired Impact: Public knows and values the Foundation as a strategic advisor in philanthropy, an impactful grant maker and a knowledgeable community leader and convenor.*

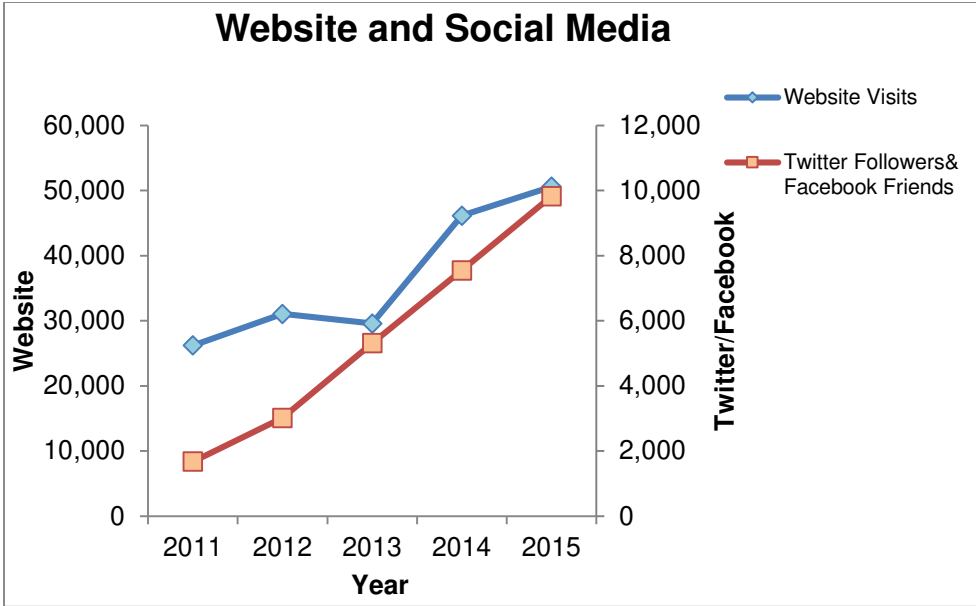
The Vital City event, which celebrates philanthropy by gathering community leaders, local non-profit organizations, donors and engaged citizens for an overview of the charitable sector and a year in review of the Foundation, and Jane's Walk, a commemoration of the legacy of Jane Jacobs which celebrates local history and encourages connections between Calgarians, have been the primary drivers of event attendance since 2011.

The jump in attendance numbers in the 2014 fiscal year can be attributed to the addition of a media conference and luncheon that was 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.

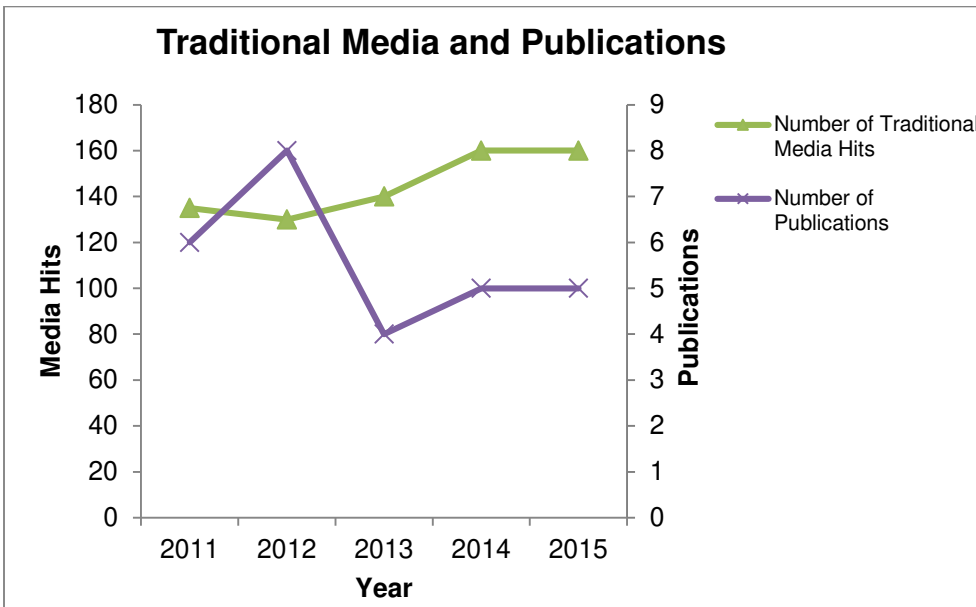


Social media, primarily Twitter and Facebook, were used for event and publication promotion. The Foundation 'tweets' on a daily basis to promote upcoming events, support partner organizations and generate conversation with our 'followers' and 'friends'. A new website was developed in 2014 to be interactive, easy to navigate and allow integration of social media networks. Historically, the largest percentage of unique visitors to the website view the 'Grants' section.

The increase in the number of website visits and social media connections has increased at a steep rate over the last five years.



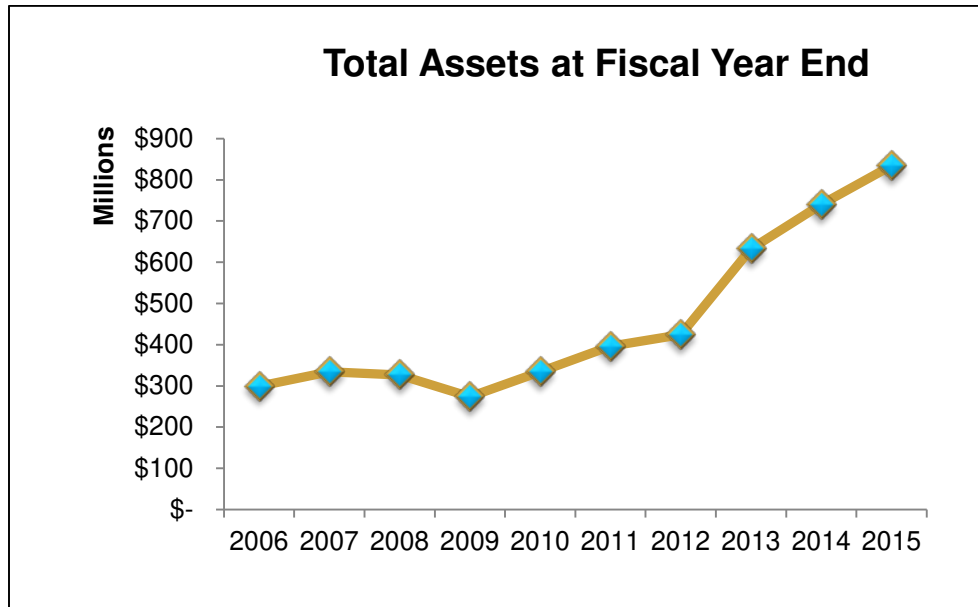
The Vital Signs report, Foundation annual report and spring and fall editions of SPUR magazine were published in fiscal 2015.





## Financial Assets

*Desired Impact: A growing asset base where capital is preserved while maximizing benefits/impact to community.*

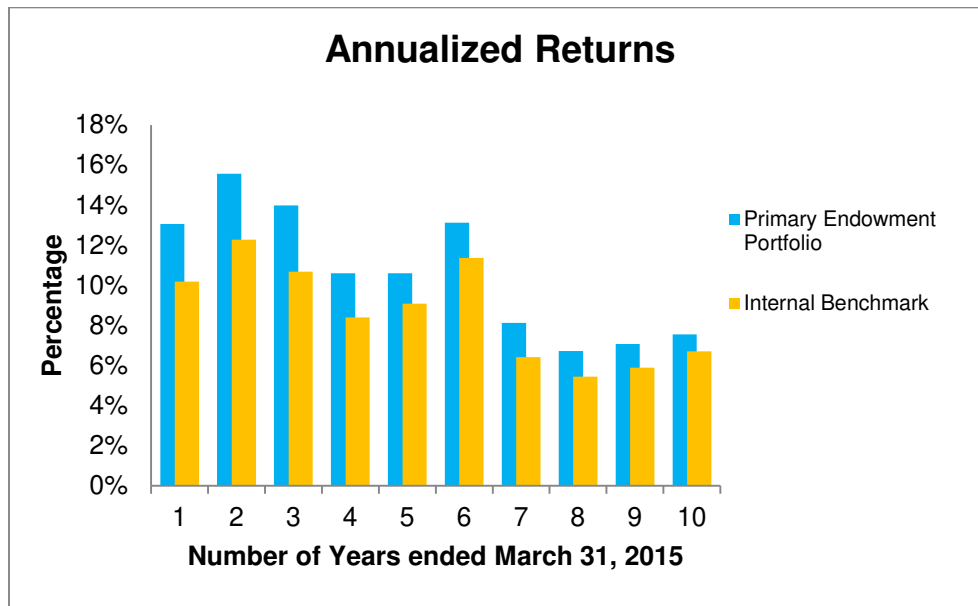


## Investments

The total assets of the Foundation’s primary endowment portfolio (“Endowment”) at March 31, 2015 were \$740.2 million, representing 89% of the total assets (2014 – \$609.2 million and 82% of total assets). 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.

## Primary Endowment Portfolio Performance



The internal benchmark is a weighting of indices based on the asset mix in the Foundation's SIP.

Annual Performance	<u>2015</u>	<u>2014</u>
Endowment	13.1%	18.1%
Asset Class:		
Canadian fixed income	10.3%	0.89%
High yield fixed income	4.8%	11.9%
Canadian equity	8.3%	25.1%
Canadian small cap equity	-2.1%	39.5%
Global equity	22.5%	30.2%
Emerging markets equity	12.1%	3.3%
Real estate	7.2%	29.2%

The positive total Endowment performance was driven by strong domestic bond returns coupled with a weaker Canadian dollar which meaningfully boosted foreign equity holdings over the year.

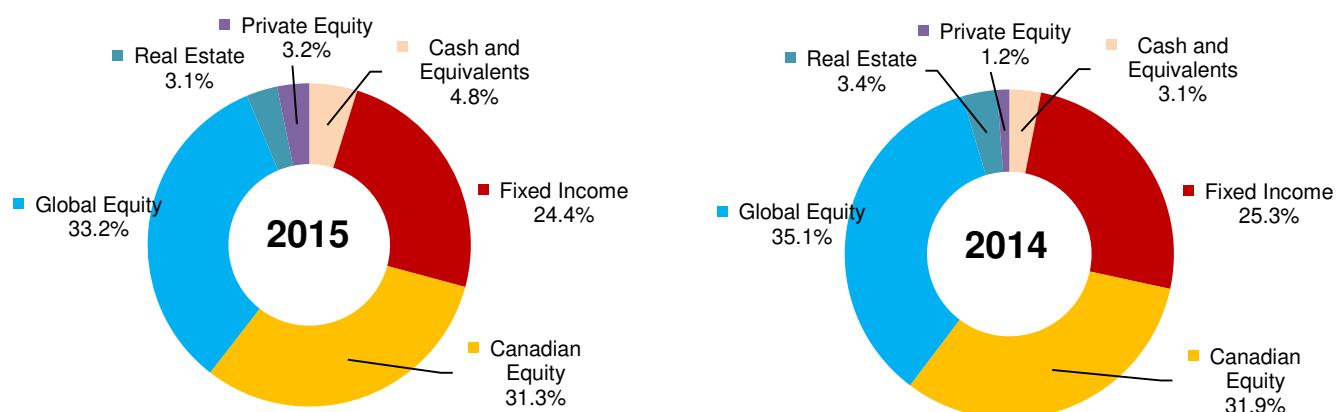
The Canadian government bond market saw surprisingly strong performance in 2014 and into the first quarter of 2015 buoyed by the Bank of Canada rate cut at the beginning of this year. Strong bond returns and falling yields, that reached new historic lows in Canada after rising for the better part of 2013, were unexpected. Over the past year the Canadian high yield market suffered from the impact of low oil prices. Against this backdrop, our high-yield bond manager returns suffered.

Global equity holdings continued to make new highs in 2014 driven earlier in the year by strong corporate earnings and improving investor confidence in the US market. Moreover, the Endowment’s foreign equity holdings further benefited from the relative underperformance of the Canadian dollar. Despite headwinds from a strong US dollar, geopolitical concerns in Russia and the Middle East and continuous expectations of Federal Reserve tightening, our emerging markets portfolio produced a significant positive return.

The S&P/TSX Composite Index ended the fiscal year on a weaker note, up a mere 2.6% (2014 – 16.0%) on a total return basis. Energy was the worst performing sector in 2014 and continued to be the worst sector in the first quarter of 2015. On a relative basis our Canadian equity portfolio was collectively underweight the more cyclical resource sectors of the market and as a result outperformed the benchmark index. Over the one year, Canadian small cap holdings significantly underperformed large cap holdings, accordingly, our actively managed Canadian small capitalization equity mandate detracted from the returns.

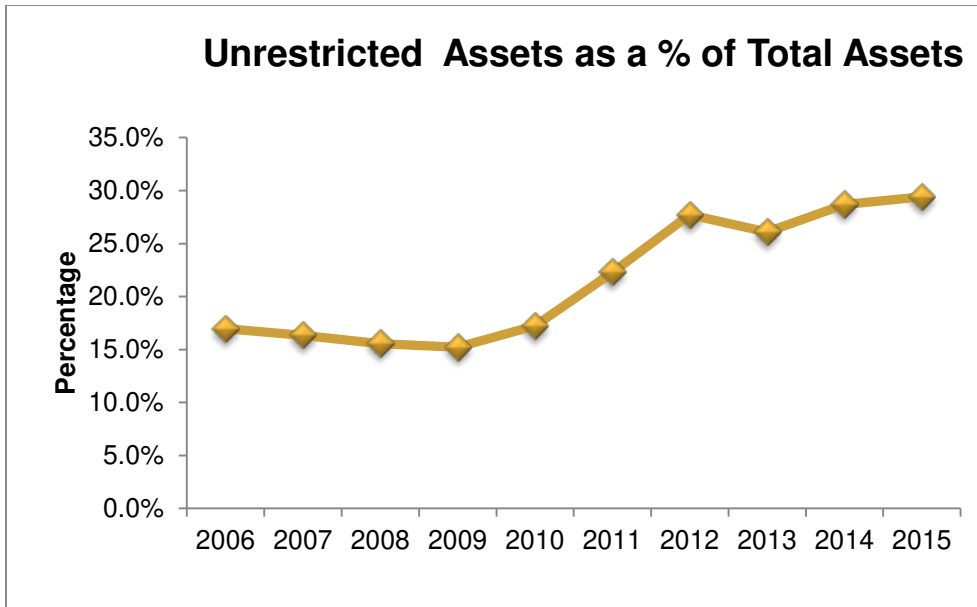
The Foundation will continue to increase our Alternative Asset Class (Real Estate, Private Equity, and Infrastructure) exposure over time.

At fiscal year-end 2015 and 2014, the Endowment’s asset allocations were as follows:



### Unrestricted endowed funds

Attention is paid to the distribution of assets across the various types of funds. Community and Field of Interest funds, which are not restricted and grant at the full discretion of the Foundation, have historically represented a significantly smaller percentage of the total assets than funds established to support a designated charitable organization or in which the advice of donors is sought. Unrestricted fund assets have grown significantly from 17% in 2006 to 30% in 2015.

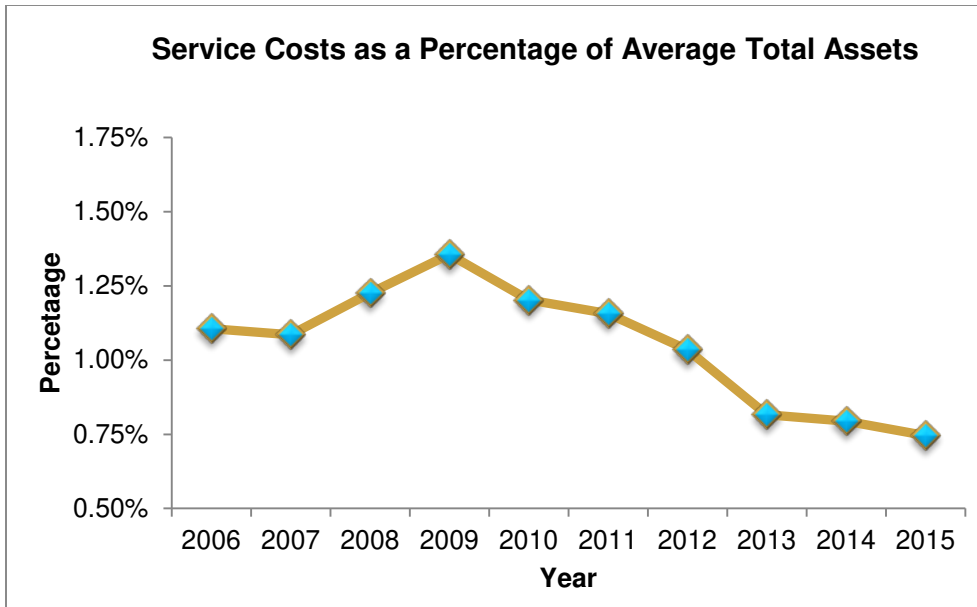


#### Organizational effectiveness

*Desired Impact: Sound management and strong governance support the achievement of goals in a healthy workplace where employees and volunteers work as a team and thrive, and where resources and expectations are aligned.*

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.

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



## **CAPABILITY TO DELIVER RESULTS AND HISTORICAL ANALYSIS**

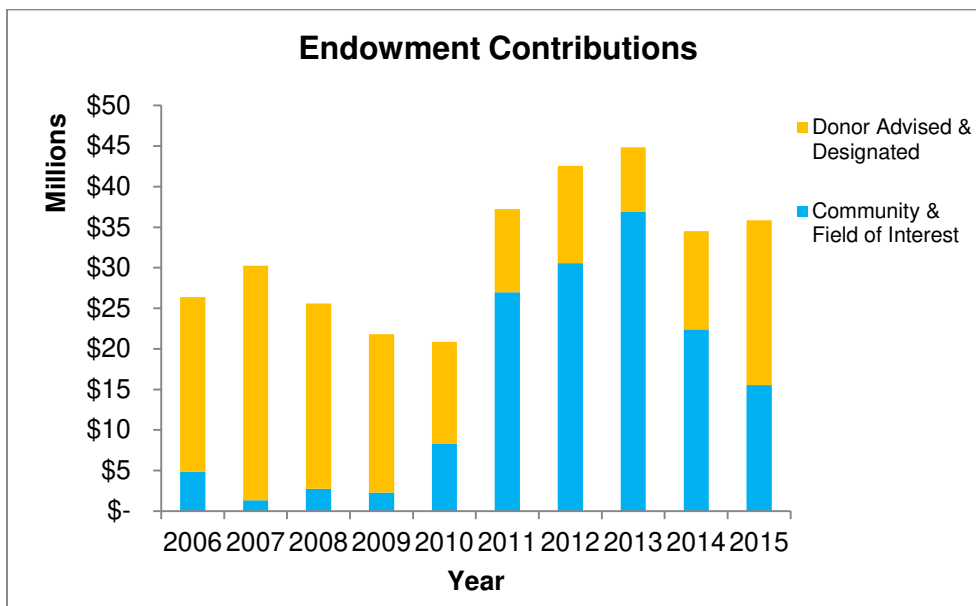
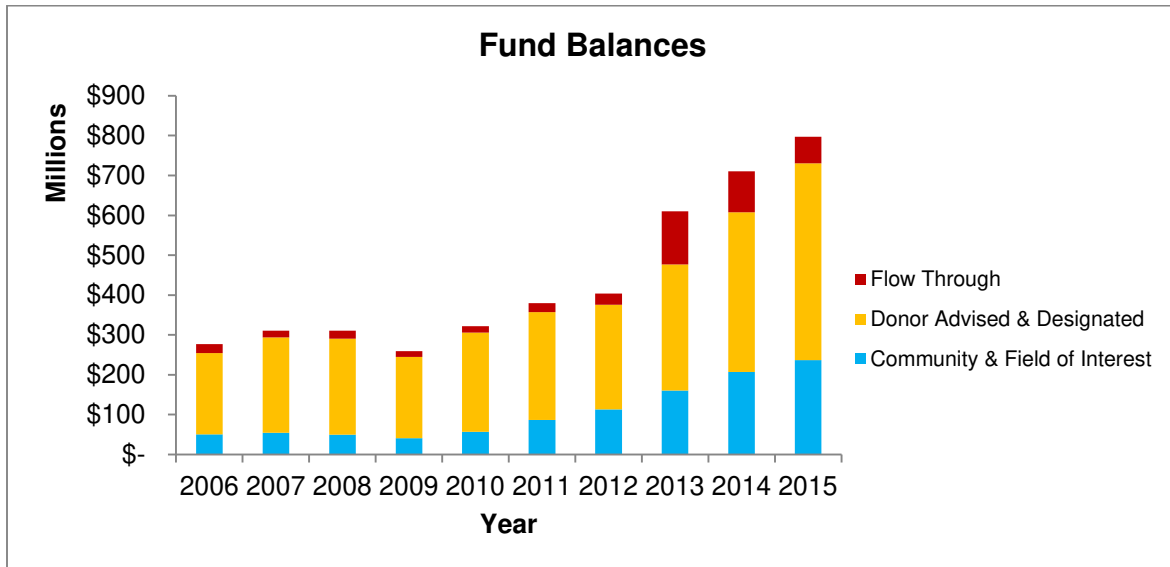
### **Assets**

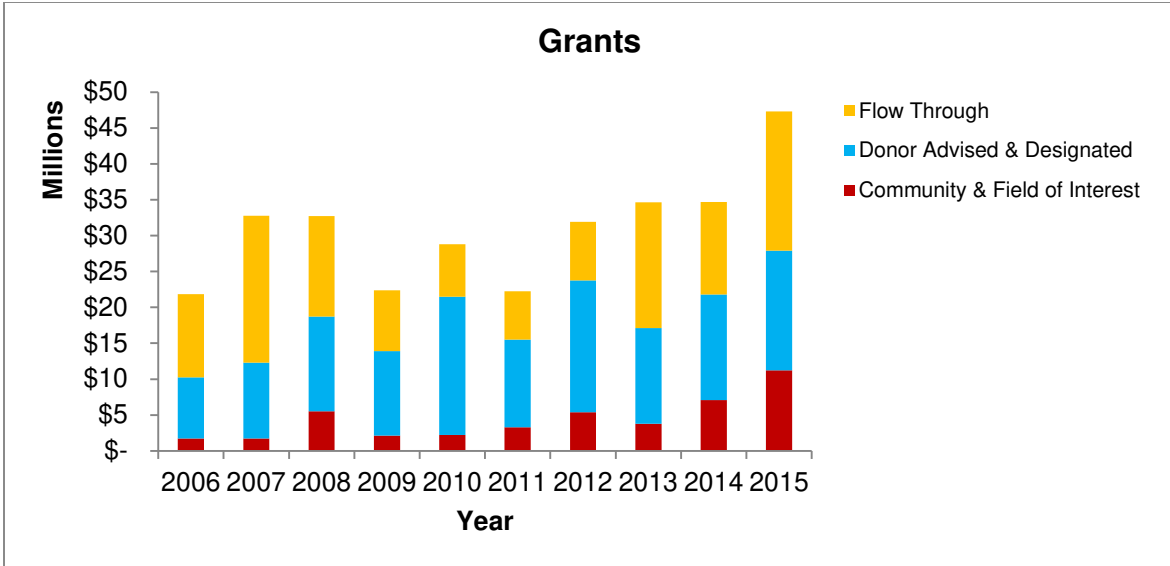
The Foundation's total assets under administration as at March 31, 2015 totalled \$834.4 million as compared to \$740.1 million at March 31, 2014.

Of the total assets under administration at fiscal year-end, \$27.6 million (2014 – \$21.7 million) 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.

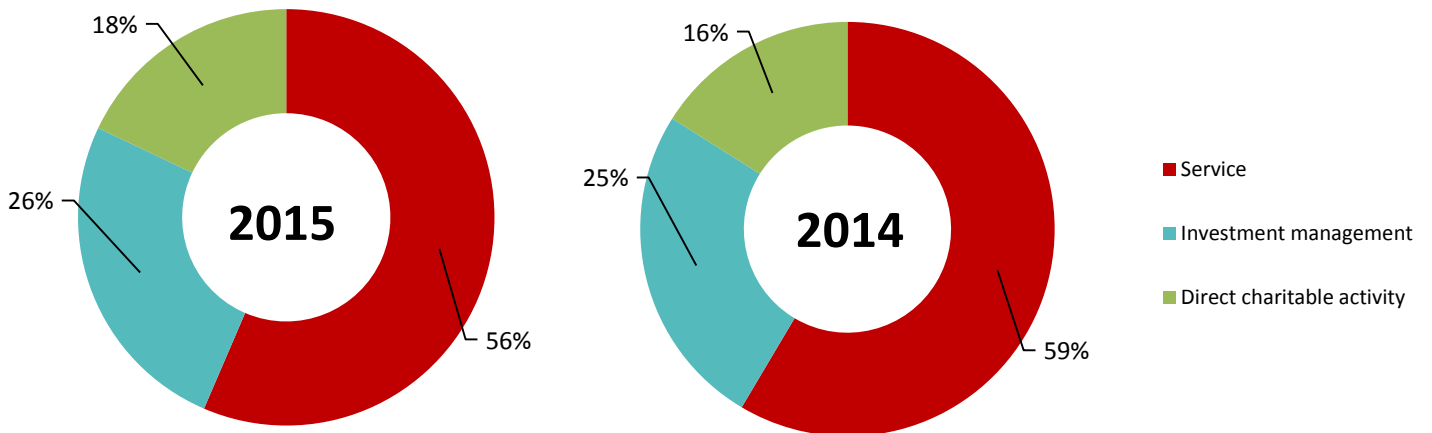
## Operations

Further analysis of fund balances, or equity, endowment contributions and grants illustrates the allocation by Community & Field of Interest, from which grants are made at the discretion of the Foundation, Donor Advised & Designated from which grants are directed to charitable organizations with the advice of donors or designated at the time the fund is established, respectively, and non-endowed Flow-through funds from which grants are also directed to charitable organizations with the advice of donors.

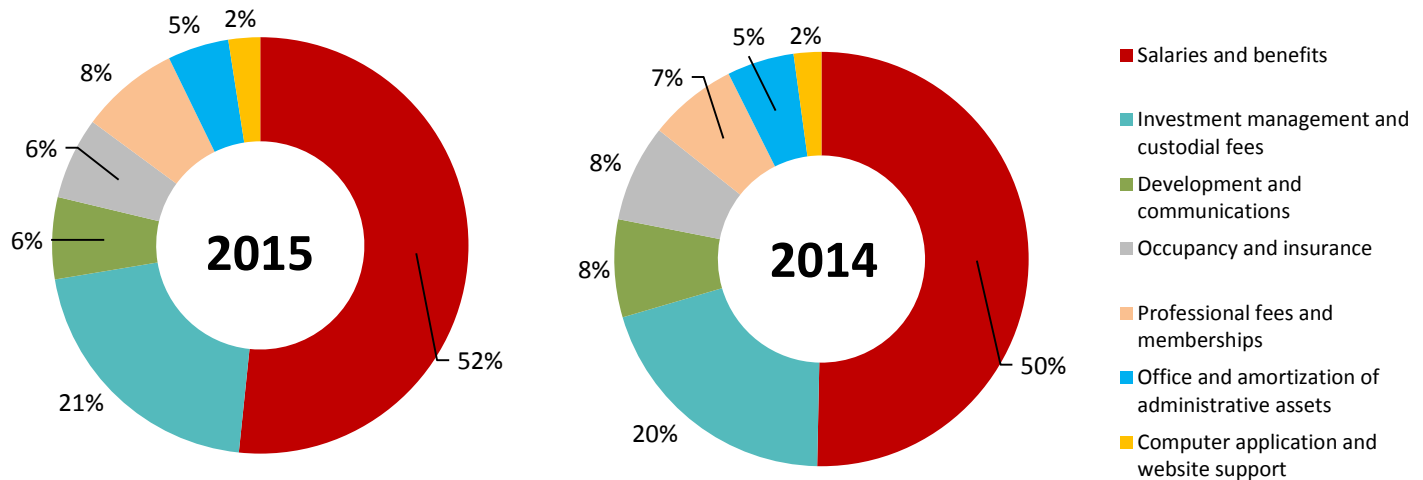




The service costs incurred to execute the strategy and drive performance are distinguished for management purposes between service costs (e.g. fund development, communications, accounting, computer support, general and administrative and related management), investment management costs (e.g. portfolio management, custodian, performance measurement and related management) and direct charitable activity costs (e.g. granting programs, proactive community leadership and related management costs). These costs totalled \$5.9 million (\$5.5 million in 2014).



The breakdown of total costs as per the financial statement presentation is as follows:



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 \$6.7 million in 2015 and \$5.0 million in 2014.
- (ii) Managed fund fees of \$281,000 (\$233,000 in 2014).

Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled \$0.8 million (2014 – \$1.1 million). This revenue was previously used to fund service and investment management costs. Due to the continuing receipt of significant flow-through contributions, this interest revenue will be used for special initiatives that advance the purpose of the Foundation. This change to the use of the revenue was made possible by the growth in the primary endowment portfolio and the cost recovery therefrom.

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



## PROSPECTIVE RISKS

The Foundation assumes that its operations in the 2016 fiscal year will be materially consistent with those in 2015. The Foundation follows a structured approach to enterprise risk management, wherein a risk register is established and risks are evaluated as to their consequence and likelihood. Most recently, two risks were identified as having the highest intersection of consequence and likelihood:

### Reputational: Media Relations

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

### Financial: Erosion of capital

As has been identified in previous years, the Foundation's ability to preserve the endowment's *corpus* in perpetuity, maintain the purchasing power of the annual grant distributions, finance direct charitable activity and fund each year's service and investment management costs, depends on the investment performance of the primary endowment portfolio providing returns that meet or exceed these demands.

The Foundation manages these risks in the following ways:

We manage the reputational risk pertaining to **media relations** by actively cultivating a strong positive image of the Foundation among its stakeholders and general public that reflects the Foundation's values and actions. 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 local public, but also with wider social media adherents. These relationships, especially the strong connections with trusted partners, 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.

In order to manage the financial risk of the **erosion of capital**, 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 annually reviews the current disbursement policy, the direct charitable activity budget and service and investment management costs to ensure a balance between preserving the endowment's *corpus* while maintaining, and minimizing the volatility of, inflation-adjusted distributions from year to year.



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## **INDEPENDENT AUDITORS' REPORT**

To the Directors of the Calgary Foundation

We have audited the accompanying consolidated financial statements of the Calgary Foundation, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements 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 is sufficient and appropriate to provide a basis for our audit opinion.

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## 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, 2015, 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*

Charter Accountants

June 18, 2015  
Calgary, Canada

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# CALGARY FOUNDATION

Consolidated Statement of Financial Position

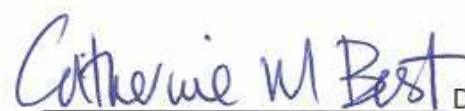
March 31, 2015, with comparative figures for 2014

	2015	2014
<b>Assets (note 3)</b>		
Current assets:		
Cash and cash equivalents	\$ 91,297,877	\$ 76,194,216
Prepaid expenses	368,426	190,386
Accrued investment income	356,609	535,673
	<u>92,022,912</u>	<u>76,920,275</u>
Investments, at fair value (note 4)	739,222,170	659,179,229
Loan receivable (note 5)	1,940,576	2,940,576
Other assets (note 6)	1,182,961	1,106,731
	<u>\$834,368,619</u>	<u>\$ 740,146,811</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Grants payable and accrued liabilities	\$ 7,306,283	\$ 5,108,290
Deferred flow-through grants (note 7)	66,668,796	102,202,590
	<u>73,975,079</u>	<u>107,310,880</u>
Non-current grants payable	2,480,440	3,234,200
Managed funds (note 8)	27,632,902	21,680,716
Foundation funds:		
Community and Field of Interest funds (note 7)	236,786,445	206,863,250
Donor advised and designated funds (note 7)	493,493,753	401,057,765
	<u>730,280,198</u>	<u>607,921,015</u>
Commitments (notes 9 and 11 (c))		
	<u>\$834,368,619</u>	<u>\$ 740,146,811</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

# CALGARY FOUNDATION

## Consolidated Statement of Operations and Changes in Foundation Funds

Year ended March 31, 2015, with comparative figures for 2014

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2015	Total 2014
<b>Revenue</b>					
Contributions	\$ 15,547,900	\$ 20,316,829	\$ 24,069,627	\$ 59,934,356	\$ 47,005,373
Interest and dividends	9,833,027	19,056,259	–	28,889,286	28,939,160
Flow-through funds interest	790,394	–	372,247	1,162,641	1,784,546
Managed funds fees (note 8)	281,401	–	–	281,401	232,630
Realized capital gains (losses), net	4,571,999	8,842,876	(27,916)	13,386,959	3,975,245
Unrealized capital gains (losses), net	12,032,580	24,353,506	(31,516)	36,354,570	58,640,727
<b>Total revenue</b>	<b>43,057,301</b>	<b>72,569,470</b>	<b>24,382,442</b>	<b>140,009,213</b>	<b>140,577,681</b>
<b>Expenditures</b>					
Grants	(11,221,090)	(16,694,350)	(19,400,664)	(47,316,104)	(34,671,311)
Service costs, net (note 10)	(1,339,449)	(4,409,659)	(118,612)	(5,867,720)	(5,452,558)
<b>Total expenditures</b>	<b>(12,560,539)</b>	<b>(21,104,009)</b>	<b>(19,519,276)</b>	<b>(53,183,824)</b>	<b>(40,123,869)</b>
Transfers	(573,567)	40,970,527	(40,396,960)	–	–
Decrease (increase) in deferred flow-through grants	–	–	35,533,794	35,533,794	30,794,555
<b>Change during the year</b>	<b>29,923,195</b>	<b>92,435,988</b>	<b>–</b>	<b>122,359,183</b>	<b>131,248,367</b>
Balance, beginning of year	206,863,250	401,057,765	–	607,921,015	476,672,648
<b>Balance, end of year</b>	<b>\$236,786,445</b>	<b>\$493,493,753</b>	<b>–</b>	<b>\$730,280,198</b>	<b>\$607,921,015</b>

See accompanying notes to the consolidated financial statements.

# CALGARY FOUNDATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	\$122,359,183	\$131,248,367
Change in deferred flow-through grants	(35,533,794)	(30,794,555)
Change in Managed funds (note 8)	5,952,186	3,292,807
Change in funds	92,777,575	103,746,619
Change in non-current grants payable	(753,760)	200,400
Items not involving cash:		
Realized capital (gain) loss on sale of investments	(13,898,286)	(4,120,491)
Unrealized capital gain on investments	(37,656,420)	(60,841,359)
Contributions of non-cash gifts	(11,449,779)	(7,580,053)
Managed fund fees (note 8)	(281,401)	(232,630)
Amortization of administration assets (note 10)	54,521	36,828
	28,792,450	31,209,314
Changes in non-cash working capital:		
Prepaid expenses	(178,040)	(4,413)
Accrued investment income	179,064	(62,692)
Grants payable and accrued liabilities	2,197,993	3,757,212
	30,991,467	34,899,421
Investing activities:		
Purchase of administrative assets	(51,859)	(45,466)
Loan for real estate acquisition (note 5)	1,000,000	-
Proceeds from sale of endowment investments	71,314,119	35,023,699
Proceeds from sale of flow-through investments	25,231,603	42,140,640
Purchase of endowment investments	(108,332,169)	(134,264,580)
Purchase of flow-through investments	(5,049,500)	(10,057,135)
	(15,887,806)	(67,202,842)
Net increase (decrease) in cash and cash equivalents	15,103,661	(32,303,421)
Cash and cash equivalents, beginning of year	76,194,216	108,497,637
Cash and cash equivalents, end of year	\$ 91,297,877	\$76,194,216

See accompanying notes to the consolidated financial statements.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2015, with comparative figures for 2014

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## 1. 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 Chartered Professional Accountants (“CPA”) Canada 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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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 CPA 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.

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.



# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

---

## 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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 3. Assets by fund

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Managed	Total
Cash and cash equivalents	\$ 16,751,864	\$ 25,613,656	\$ 47,329,058	\$ 1,603,299	\$ 91,297,877
Prepaid expenses	351,469	16,957	–	–	368,426
Accrued investment income	161,694	119,864	68,117	6,934	356,609
Investments, at fair value	226,019,353	467,075,141	20,105,007	26,022,669	739,222,170
Loan receivable	1,940,576	–	–	–	1,940,576
Other assets	129,641	1,048,320	5,000	–	1,182,961
March 31, 2015	\$245,354,597	\$493,873,938	\$ 67,507,182	\$ 27,632,902	\$834,368,619
March 31, 2014	\$212,238,000	\$401,143,201	\$104,994,895	\$ 21,680,715	\$740,146,811

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 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.

	2015	2014
Bonds and debentures		
Investment grade	\$160,435,492	\$172,308,878
High yield	41,322,629	34,604,112
	<u>201,758,121</u>	<u>206,912,990</u>
Stocks		
Canada	232,302,294	198,743,097
International	258,475,806	224,919,723
	<u>490,778,100</u>	<u>423,662,820</u>
Real estate	23,192,452	20,786,044
Private equity	23,493,497	7,817,375
	<u>\$739,222,170</u>	<u>\$659,179,229</u>

## 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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 5. Loan receivable (continued)

	2015	2014
Loan to cSPACE repayable in full November 2016 with interest at 4.75% per annum	\$1,940,576	\$2,940,576

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

## 6. Other assets

	2015	2014
Cash surrender value of donated life insurance policies	\$1,025,074	\$946,182
Miscellaneous	40,272	40,272
Administrative assets, net of accumulated amortization of \$390,989 (2014 - \$448,529)	117,615	120,277
	<u>\$1,182,961</u>	<u>\$1,106,731</u>

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

	2015			2014	
	Premiums paid	Cash surrender value	Face value	Face value	
Whole life policies	\$ 175,033	\$ 1,025,074	\$ 15,344,864	\$ 15,186,100	
Term life policies	17,700	-	615,000	673,000	
	<u>\$ 192,733</u>	<u>\$ 1,025,074</u>	<u>\$ 15,959,864</u>	<u>\$ 15,859,100</u>	

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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 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.

	2015	2014
Community	\$ 186,698,515	\$159,740,217
Field of Interest	50,087,930	47,123,033
	<u>\$ 236,786,445</u>	<u>\$206,863,250</u>
Donor advised	\$ 261,001,107	\$201,104,818
Designated	232,492,646	199,952,947
	<u>\$ 493,493,753</u>	<u>\$401,057,765</u>
Deferred flow-through	66,668,796	102,202,590
	<u>\$ 796,948,994</u>	<u>\$710,123,605</u>

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2015 and not granted at fiscal year end, net of investment gains and losses and service costs, if applicable. This amount is deferred and recorded as a liability until the grants are designated and paid.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 8. Managed funds

### a) Change in Managed funds

	2015	2014
Increases		
Deposits	\$ 4,066,907	\$ 405,000
Interest and dividends	1,084,315	1,096,191
Realized capital gains, net	511,327	145,246
Unrealized capital gains, net	1,301,850	2,200,632
Total increases	6,964,399	3,847,069
Decreases		
Withdrawals	(730,812)	(321,632)
Service fees	(281,401)	(232,630)
Total decreases	(1,012,213)	(554,262)
Change during the year	5,952,186	3,292,807
Balance, beginning of year	21,680,716	18,387,909
Balance, end of year	\$27,632,902	\$21,680,716

### b) Assets held on the Statement of financial position:

	2015	2014
Canadian Hockey Foundation Fund	\$ 9,081,459	\$ 8,131,019
Ann & Sandy Cross Conservation Area Fund	4,474,382	3,517,208
NECCS Capital Maintenance (Life Cycle) Reserve Fund	2,126,582	-
CSPG Educational Trust Fund	1,698,060	1,613,108
Estelle J. Siebens Outreach Endowment Fund	1,314,609	1,227,110
Foothills Academy Society Bursary Trust Fund	1,028,046	960,099
Rotary Club of Calgary Managed Fund	995,487	860,098
Alberta Stockmen's Memorial Association Fund	984,668	884,275
Fig Tree Charitable Foundation Fund	686,882	618,386
CSEG Foundation Managed Fund	652,872	587,768
Alberta Emerald Foundation Managed Fund	648,734	584,042
Calgary Highlanders Regimental Funds Foundation Fund	594,598	533,975
Calgary Habitat for Humanity House Repurchase Fund	528,521	475,817
Vecova Centre for Disability Services and Research Fund	521,064	467,938
Foothills Academy Tuition Assistance Fund	440,249	411,155
Camp Okotoks Society Fund	421,682	-
Calgary Centre for Global Community Fund	360,441	-
Brown Bagging for Calgary Street Kids Society	280,917	252,904
Christ Church Endowment Trust Managed Fund	273,568	248,473
NECCS Operating Reserve Fund	270,081	-
KidSport Society of Calgary Managed Fund	250,000	-
Girl Guides of Canada, Calgary Area Fund	-	307,341
	\$27,632,902	\$21,680,716

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 9. Commitments

The Calgary Foundation Investment Trust has unfunded investment commitments relating to real estate, private equity and infrastructure limited partnerships of \$115.9 million Canadian (2014 – \$133.9 million).

Asset class	Currency		
	March 31, 2015		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	\$22,500,004	\$60,529,110	€12,241,166
Private equity	–	\$29,237,011	€12,241,166
Real estate	\$22,500,004	\$ 6,800,601	–
Infrastructure	–	\$ 24,491,498	–

Asset class	Currency		
	March 31, 2014		
	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, 2015, the unfunded investment commitments denominated in U.S. dollars is \$60.5 million (2014 – \$73.2 million), translated into Canadian dollars in the amount of \$76.8 million (2014 – \$81.0 million). The unfunded investment commitments denominated in Euros is €12.2 million (2014 – €20.0 million), translated into Canadian dollars in the amount of \$16.7 million (2014 – \$30.4 million). The unfunded amounts may be drawn on demand.

The Foundation rents its current office space under an operating lease. The future annual payments are estimated to be:

2016	\$ 330,000
2017	330,000
2018 (to September 30, 2017)	170,000
	\$ 830,000



# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 9. Commitments (continued)

On April 10, 2014, the Foundation entered into an agreement with a controlled organization, the Kahanoff Centre for Charitable Activities, to rent office space under an operating lease. The future annual payments under the lease are estimated to be:

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2016	\$ 150,000
2017	450,000
2018	450,000
2019	450,000
2020 and after	3,000,000
	<hr/>
	\$4,500,000

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## 10. Service Costs

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	2015	2014
Salaries and benefits	\$3,022,934	\$2,672,397
Investment management and custodial fees	1,213,912	1,068,969
Development and communications	371,977	404,961
Occupancy and insurance	372,601	402,740
Professional fees	306,017	368,198
Office	223,695	241,350
Memberships	143,776	122,932
Computer application and website support	144,044	122,932
Amortization of administration assets	54,521	36,828
Premiums to maintain life insurance policies	192,733	161,843
Contributions to pay premiums to maintain life insurance policies	(178,490)	(142,172)
	<hr/>	<hr/>
	\$5,867,720	\$5,452,558

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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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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 Honens Legacy Partners Fund are endowment funds that provide annual revenue to the Competition Foundation. At March 31, 2015 the market value of the four funds totalled \$12.0 million (2014 – \$9.7 million).

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Esther Honens Calgary International Piano Competition Foundation		
As at and for the year ended	December 31, 2014	December 31, 2013
Revenues	\$ 2,038,161	\$2,235,442
Revenues from the endowment funds	389,488	337,254
Expenses	2,100,775	2,430,769
Assets	737,705	567,343
Liabilities	517,338	284,362
Accumulated surplus	220,367	282,981

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### (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, 2015 the Luxton Historical Foundation Fund had a market value of \$5.2 million (2014 - \$4.8 million).

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 11. Controlled organizations (continued)

(b) Eleanor Luxton Historical Foundation (continued):

Eleanor Luxton Historical Foundation		
As at and for the year ended	December 31, 2014	December 31, 2013
Revenues	\$234,867	\$279,130
Revenues from the endowment fund	190,979	191,146
Expenses	197,114	229,232
Assets	1,079,396	1,041,957
Liabilities	6,046	6,361
Unrestricted net assets	130,473	91,938

(c) Kahanoff Centre for Charitable Activities

The Foundation is the beneficial owner of all 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, 2014	December 31, 2013
Revenues	\$2,693,761	\$2,718,930
Expenses	2,507,966	2,456,702
Assets	24,983,574	16,969,949
Liabilities	14,842,283	7,014,453
Unrestricted surplus (deficiency)	448,023	262,228

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, 2015, grants of \$372,000 were approved, and \$124,000 paid, from Community and Field of Interest funds to the Kahanoff Centre (2014 - nil) to be provided to a tenant of the Kahanoff Centre for assistance with operating costs.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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 construction financing. As of March 31, 2015, the Kahanoff Centre has borrowed \$5.4 million in construction financing (2014 – \$1.2 million).

## 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, 2015, grants totalling \$25,500 were made by the Foundation from Donor Advised & Designated and Flow-through funds to the Stampede Foundation (2014 - \$1,067,589).

## 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 \$3,363 (2014 - \$2,236). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$313,281 (2014 - \$202,628).

No single disposition of contributions equalled or exceeded 10% of the gross contributions received in either fiscal 2015 or 2014.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 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, 2015				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$160,435,492	\$ –	\$ 160,435,492
Bonds and debentures, High yield	–	41,322,629	–	41,322,629
Stocks, Canada	232,302,294	–	–	232,302,294
Stocks, International	258,475,806	–	–	258,475,806
Real estate	–	–	23,192,452	23,192,452
Private equity	–	–	23,493,497	23,493,497
	\$ 490,778,100	\$201,758,121	\$ 46,685,949	\$ 739,222,170

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

- 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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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:

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 15. Financial risk management (continued)

(a) Credit risk (continued):

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
	2015	
Bonds and debentures, at fair value	\$160,435,492	\$ 41,322,629
AAA	39.6%	–
AA	27.4%	3.9%
A	25.2%	1.5%
BBB	7.8%	12.1%
BB	–	20.3%
<BB	–	62.2%

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
	2014	
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%

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

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 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. A majority 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.

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Currency	Percentage of the market value of investments	
	2015	2014
Investments, at fair value	\$739,222,170	\$659,179,229
Canadian dollar	56.9%	64.1%
US dollar	26.8%	20.7%
Euro	5.3%	4.1%
British pound	2.3%	2.6%
Japanese yen	2.5%	2.3%
Other	6.2%	6.2%

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# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 15. Financial risk management (continued)

### (i) Currency risk (continued):

Total hedged and unhedged investments held in foreign currencies as at March 31, 2015 was \$ 318,688,187, 43.1% of investments (2014 - \$241,910,342, 36.7% of investments). The most significant exposure to currency risk is \$198,596,507, 26.8% of investments (2014 – \$136,214,920, 20.7% 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, 2015 would have increased (decreased) net assets and investment income for the year by \$19.9 million (2014 – \$13.6 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:

	2015	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$160,435,492	\$41,322,629
Duration (years)	6.6	3.6
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(10.6 million)	\$(1.5 million)
Approximate resulting percentage decrease	(6.6%)	(3.6%)
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$10.6 million	\$1.5 million
Approximate resulting percentage increase	6.6%	3.6%

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

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## 15. Financial risk management (continued)

(ii) Interest rate risk (continued):

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	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%

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(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.

# CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2015, with comparative figures for 2014

## 15. Financial risk management (continued)

(iii) Equity price risk (continued):

	2015	
	Canada	International
Stocks, at fair value	\$232,302,294	\$258,475,806
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$16.3 million	\$18.1 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(16.3 million)	\$(18.1 million)

	2014	
	Canada	International
Stocks, at fair value	\$198,743,097	\$224,919,723
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$13.9 million	\$15.7 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(13.9 million)	\$(15.7 million)

## 16. Comparative figures

Certain comparative figures have been restated to conform to the current year presentation.