

Calgary Foundation

Annual Financial Report

6/23/2016

Year Ended March 31

2016

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Management Discussion and Analysis

For the year ended March 31, 2016

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, 2016, compared to preceding years. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 23, 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 and a community where we all belong.

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)

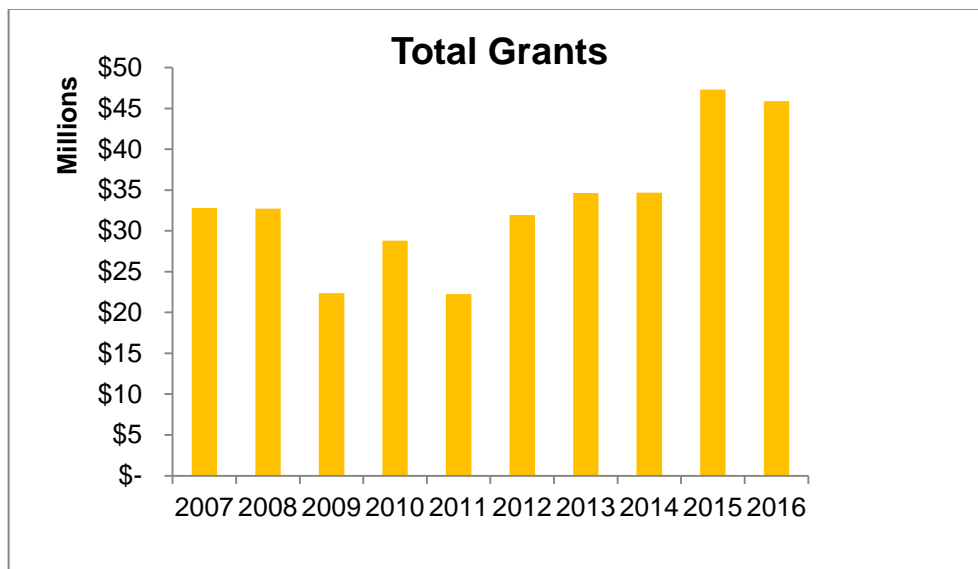
STRATEGY AND KEY RESULT AREAS

Leadership in community building

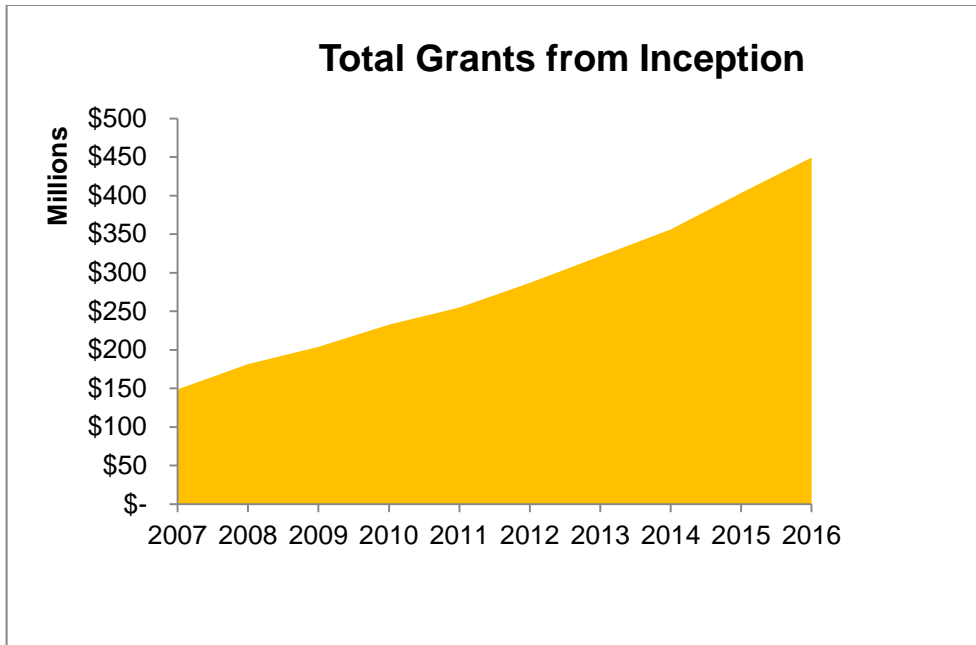
Desired Impact: Charitable sector is strengthened and citizens are engaged through the Foundation's grants and community initiatives.

Grants

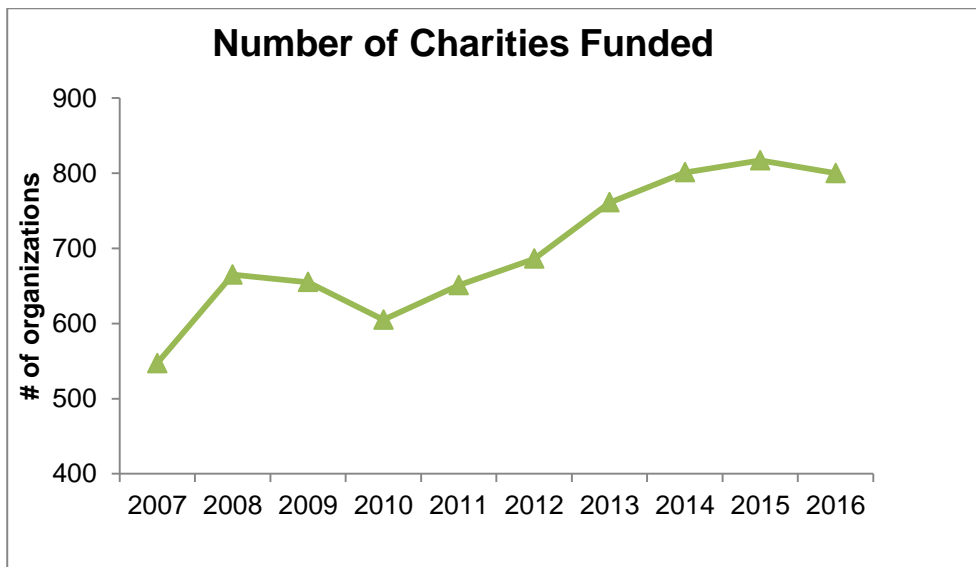
Gifts to other registered charities, or grants, are made annually from both endowed and non-endowed funds. As grants from endowed funds are a percentage of the market value of the fund at fiscal year end, it is expected that as the market value of endowed funds and the number of endowed funds grow, the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



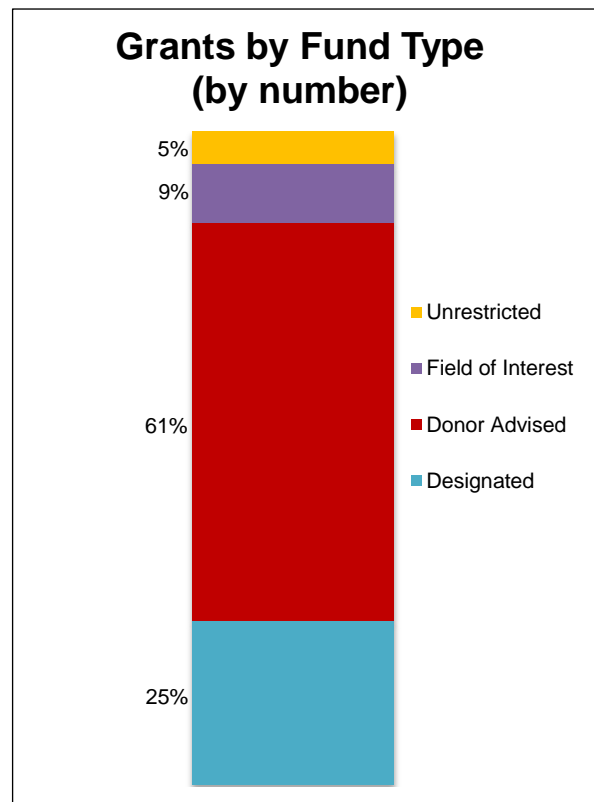
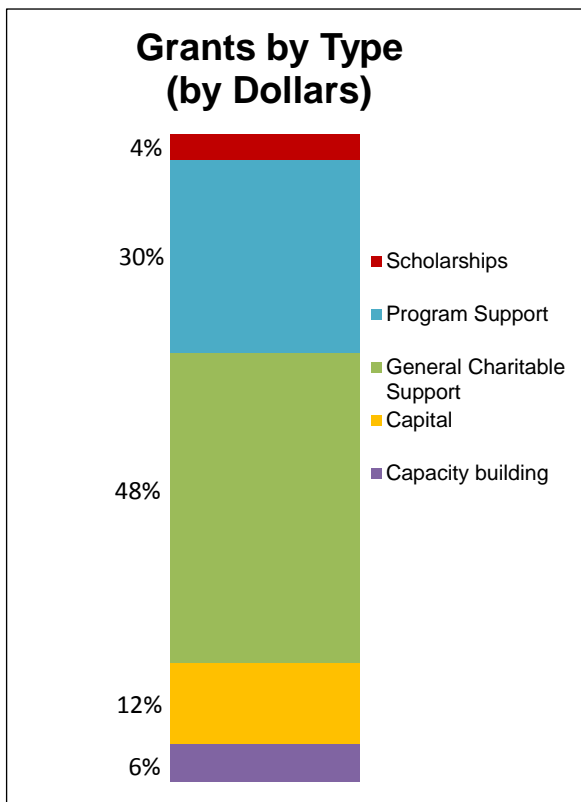
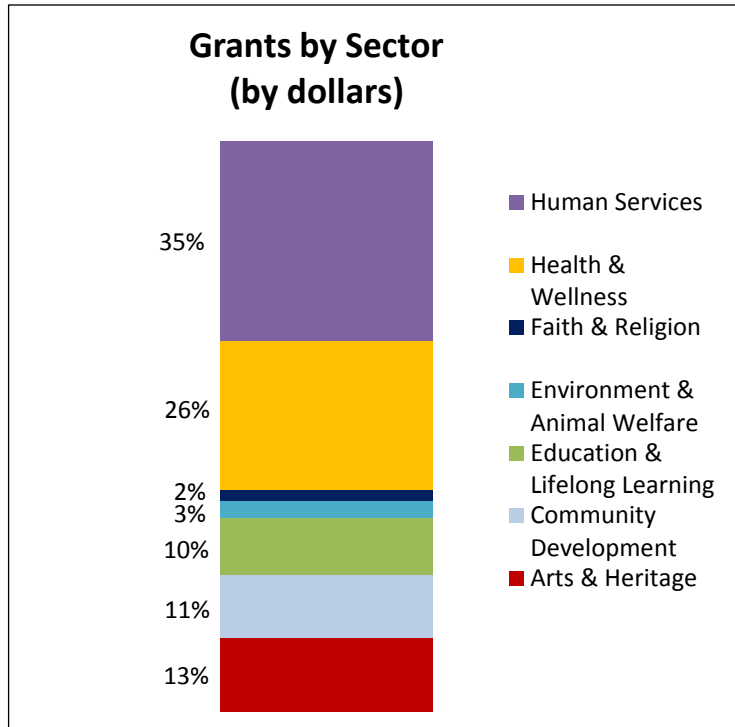
The total dollar value of grants from the Foundation from inception in April 1955 to the end of March 2016 is approximately \$449 million (2015 – \$403 million). Almost three-quarters of that amount (\$333.3 million, 2015 – \$309.0 million) has been distributed to registered charities and like organizations in the last ten years.

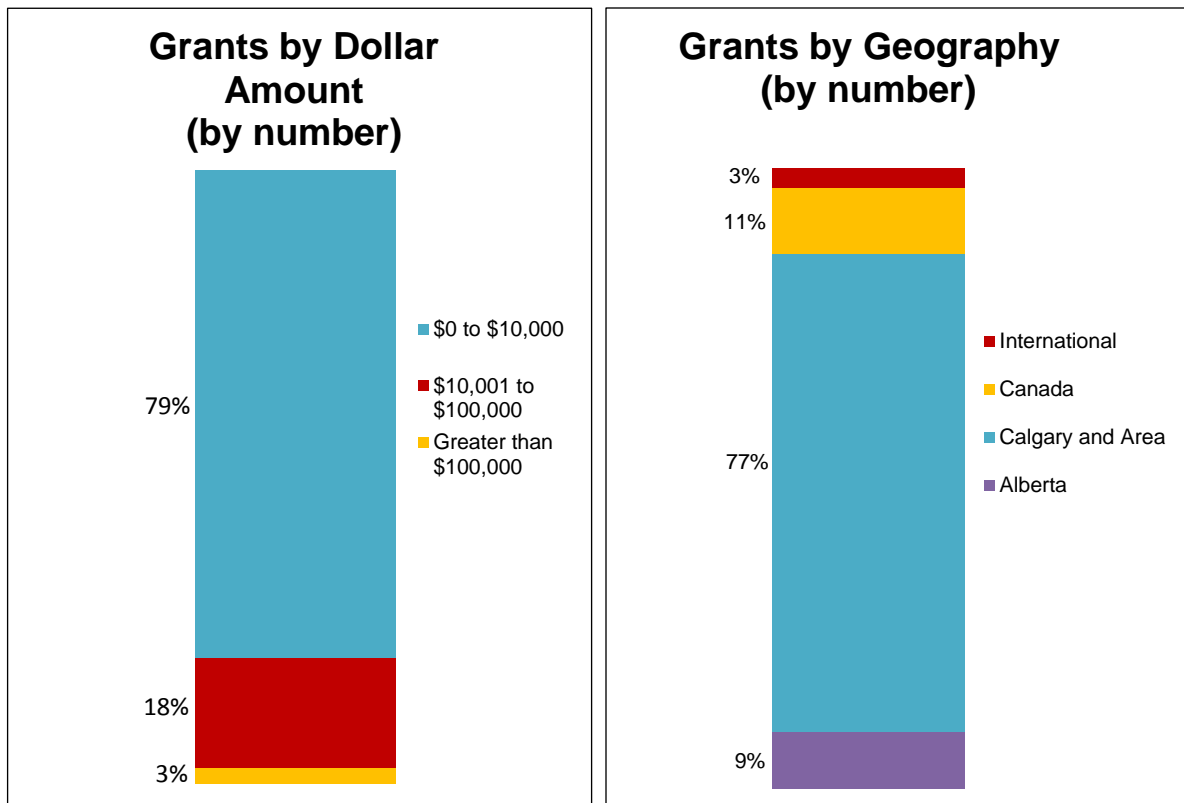


As with the trend in the dollar amount of grants distributed, the number of charitable organizations who have received grants each year from the Foundation has generally trended upwards. This upward trend was materially interrupted only in 2010. The reduction in organizations funded in that year can 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.



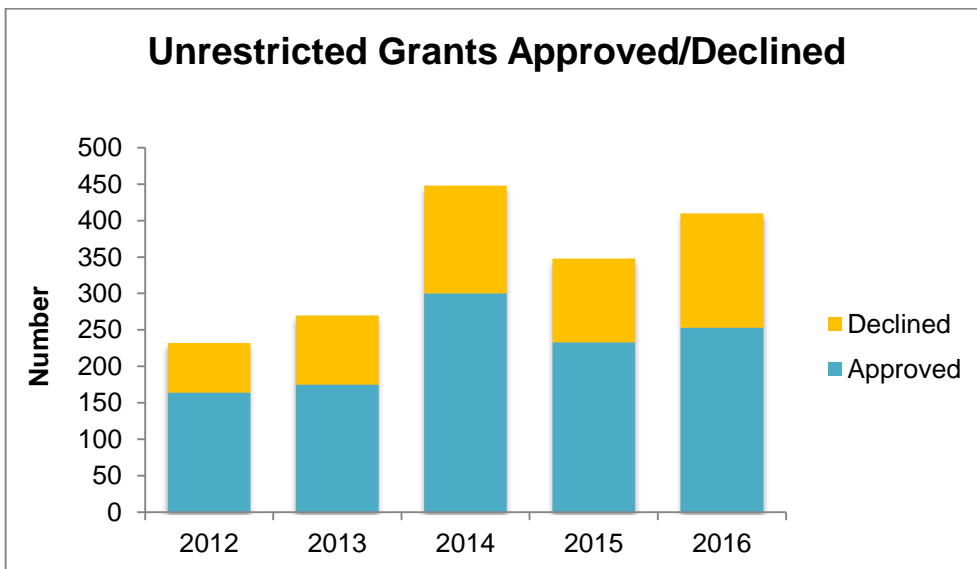
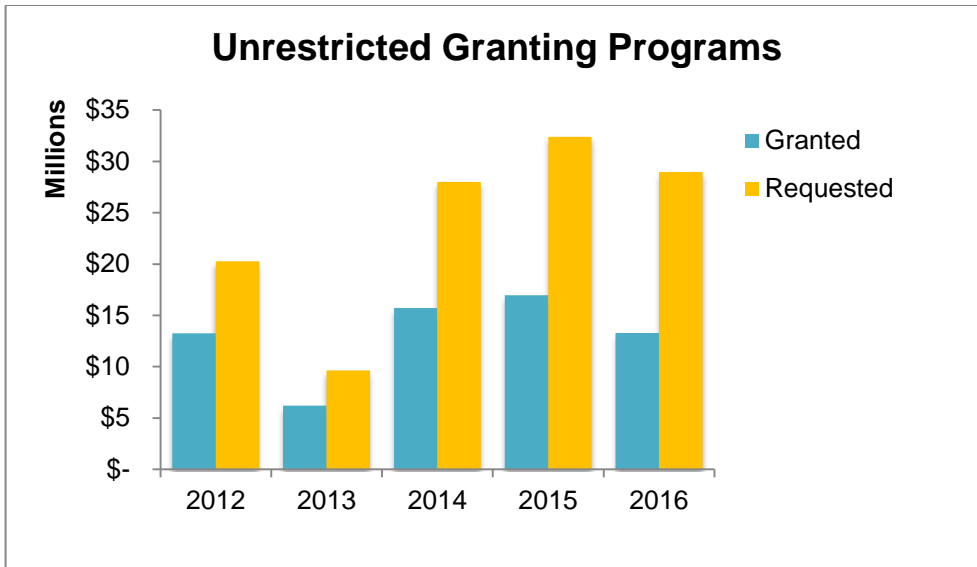
The following five charts offer insight into the total amount granted in fiscal 2016:





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.



Community Initiatives

Knowledge of community needs and the work of charitable organizations across all sectors, derived from over 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:

Vital Shift /Vital Priorities

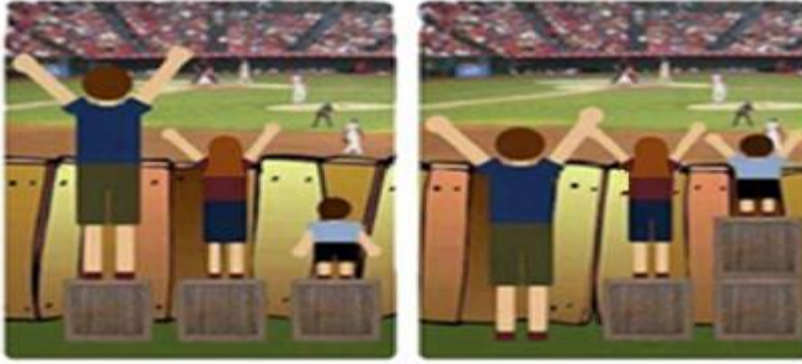
The Vital Shift initiative, conducted in the year, identified five Vital Priorities – community issues that require increased leadership, profile and innovative solutions. These priorities contribute to the Foundation’s vision. The priorities are also intended to add strategic focus, alignment and impact to the Foundation’s efforts over the next ten years.

The Vital Priorities emerged from intelligence gained from Calgary’s Vital Signs® reports, the Foundation’s broad community knowledge, and a multi-staged community leader consultation process. Through this inquiry, five major, inter-related priority areas surfaced:

- Reducing Poverty
- Encouraging Mental Health
- Living a Creative Life
- Pursuing a Sustainable Future
- Strengthening Relationships with Indigenous Communities

These Vital Priorities interconnect with our purpose to support Thriving Populations and must be viewed through an overarching “Taller Box” lens. The Vital Priorities are important for all Calgarians, but there are some populations that will require urgent, additional or specialized support – a taller box – to thrive and achieve the visions to which the priorities aspire. These populations are: seniors, newcomers and new Canadians, children and youth, and Indigenous People. Lifelong Learning is integral to all five priorities.





The Foundation's specific roles are envisioned to be:

Living Standards: Reducing Poverty

- Provide seed funding for implementation projects, especially those with a focus on the *Vibrant Communities Calgary: Enough for All Poverty Reduction Strategy* and the *Aboriginal Poverty Reduction Strategy*.
- Build community awareness to inspire citizen engagement and additional awareness about poverty reduction and how corporations, donors and other foundations can support poverty reduction efforts.
- Encourage donors to support poverty reduction, as appropriate, through the Foundation or directly to an initiative.

Wellness: Encouraging Mental Health

- Convene a group of stakeholders to develop a strategy aimed at organizing child and youth mental health services.
- Provide support for the implementation of the broader *City of Calgary: Seniors Age-Friendly Strategy and Implementation Plan*.
- Encourage donors to support mental health, as appropriate, through the Foundation or directly to an initiative.

Arts: Living a Creative Life

- Provide funding for the implementation of arts projects with a focus on the *Calgary Arts Development: Living a Creative Life Strategy*.
- Build additional awareness about how Calgarians can support the arts and the *Living a Creative Life Strategy*.
- Encourage arts participation as a means of community building and citizen engagement.
- Build additional awareness of the arts as an essential part of a vibrant community.
- Encourage donors to support living a creative life, as appropriate, through the Foundation or directly to an initiative.

Environment: Pursuing a Sustainable Future

- Support efforts to bring stakeholders together to build relationships, collaborate, and develop a community-wide strategy to create a sustainable future.
- Provide seed funding to initiate and implement projects that arise from the strategies that will be developed.
- Provide "patient investment" in long term initiatives, in multi-staged, strategic and/or collaborative work.
- Promote environmental sustainability in all Foundation activities.
- Encourage donors to support sustainable futures, as appropriate, through the Foundation or directly to an initiative.

Community Connections: Strengthening Relationships with Indigenous Communities

- Convene a committee of Indigenous leaders to help guide future grant-making and the work of the Foundation.
- Promote awareness and understanding of the recommendations from the Truth and Reconciliation Commission Report.
- Foster a broad, supportive public environment for strengthening the relationship between Indigenous and non-Indigenous people.
- Support Indigenous Cultural Awareness training throughout the sector.
- Encourage donors to support strengthening the relationship between Indigenous and non-Indigenous people, as appropriate, through the Foundation or directly to an initiative.

Community Impact Investments

Endowments play an important role within community foundations to ensure that funds are available to support safe and vibrant communities now and forever. However, recently endowments have been criticized in some quarters for directing only the disbursement allocation and costs, approximately 5% of the market value of the primary endowment portfolio in the case of the Foundation, directly to mission-related work, with the remaining 95% being invested in public and private equity and fixed income markets. As a result, the Foundation is thinking innovatively about ways to invest in local projects that provide both a social and a financial return, especially those opportunities, when appropriate and available, which support Vital Priorities.

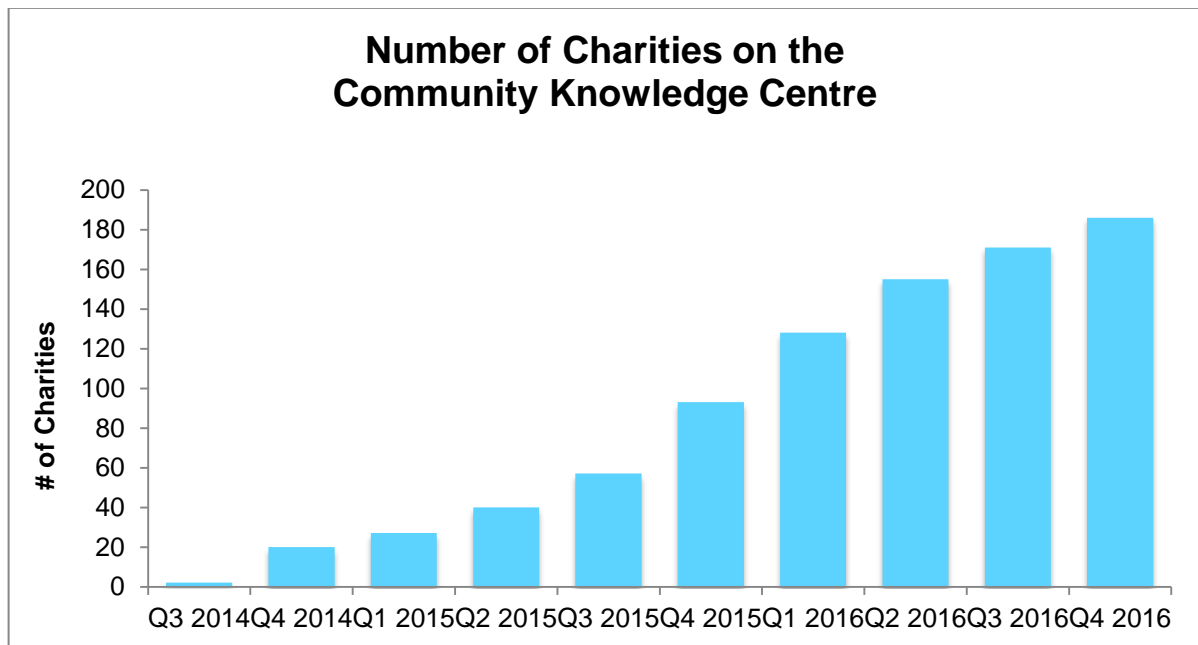
This year the Foundation launched a new program to provide debt financing to Calgary and area charitable organizations working in all parts of the community. Debt financing can enhance the financial resources available to charitable organizations. Where appropriate, debt financing offers an alternative to scarce grant dollars and can add to the financial capacity of the charitable sector. As financing is repaid by the borrower, funds become available for use with other local projects, creating a continuous recycling of dollars available for community benefit.

To date, the Foundation has supported two impact investments:

- cSpace Projects with initial mortgage financing of \$8.0 million, and grant funding of \$3 million, to purchase the 100 year-old sandstone King Edward School and transform it into a 47,000 square foot hub for creativity, while also saving a heritage building and contributing to the revitalization of an important Calgary neighbourhood. The mortgage balance remaining to be repaid at fiscal year-end is \$0.5 million (2015 – \$1.9 million).
- A loan guarantee to the Kahanoff Centre for Charitable Activities for construction financing of up to \$30.0 million to support its facility expansion project. The new tower, alongside the existing office facility, provides a charitable campus for the sector and offers below-market leases for charities, reducing their long-term administration and facility rental costs.

Community Knowledge Centre

The Community Knowledge Centre (“CKC”) is an online platform that 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. Since 2014, CKC has provided a vehicle for that knowledge to be shared broadly, with donors, charitable organizations, educators and community builders, for the greater benefit of all. There are currently 200 charitable organizations profiled on CKC which received 15,427 unique visits in the 2016 fiscal year.



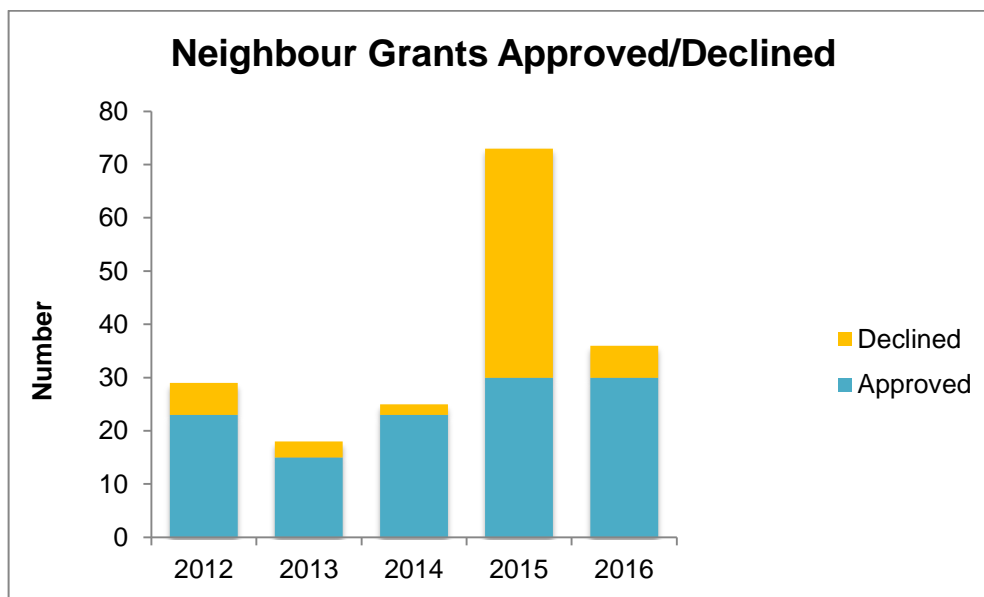
Calgary's Vital Signs®

Marking the tenth anniversary of its launch, 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. Citizen engagement plays a key role in the development of the report which asks citizens to identify needs in the community and provide feedback on how to address these issues. In 2015, over 1,800 citizens took the survey and shared their opinions in 21 key issue areas ranging from living standards to the environment.

As a nationally coordinated initiative of CFC, the national membership organization for community foundations, the Foundation was one of 28 community foundations across Canada publishing a Vital Signs® report in 2015. The report receives wide distribution including being published in print media, being available at public institutions, and being distributed to Foundation partners and stakeholders.

'Soul of the City' Neighbour Grants

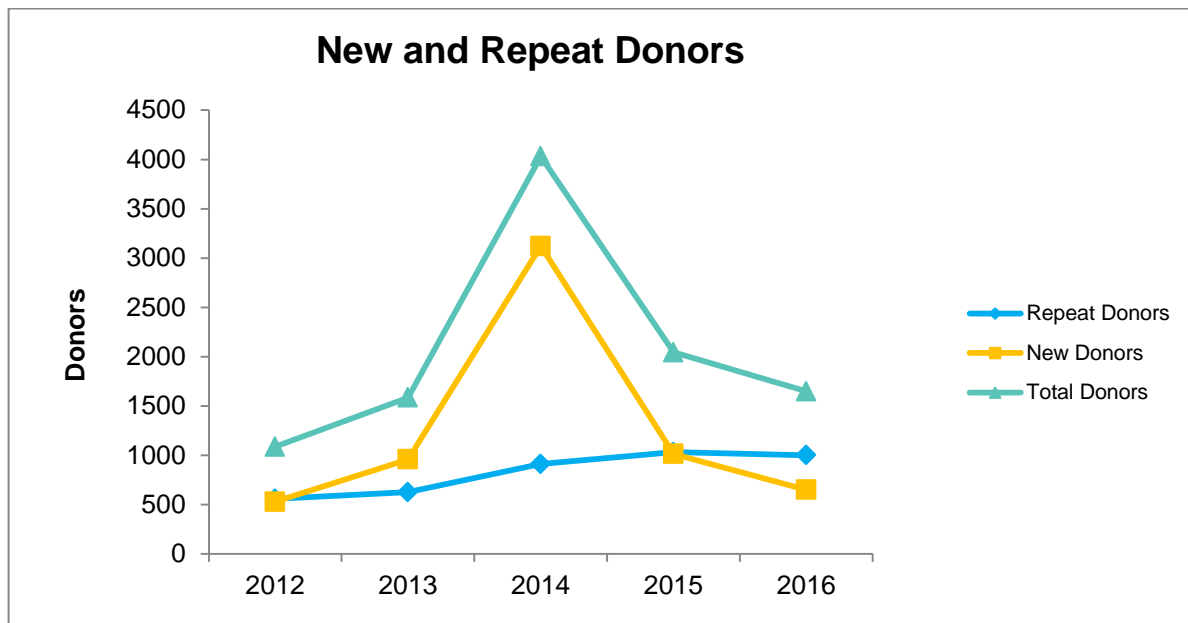
In September 2012, Calgary Economic Development ("CED") launched the 'Soul of the City' speaker series. The series aims to engage Calgarians and spark conversations about further developing Calgary's quality of life as well as understanding the reasons people live in Calgary. In 2014, CED and the Foundation partnered to offer 'Soul of the City' Neighbour Grants. Five projects were supported at \$5,000 each and had their story told through the film "Our City, Our Soul: Five Neighbourhood Projects". In 2016, RBC Foundation joined the partnership making each of the five grants now \$10,000. The five winning groups from 2016 will be again featured in film.



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.

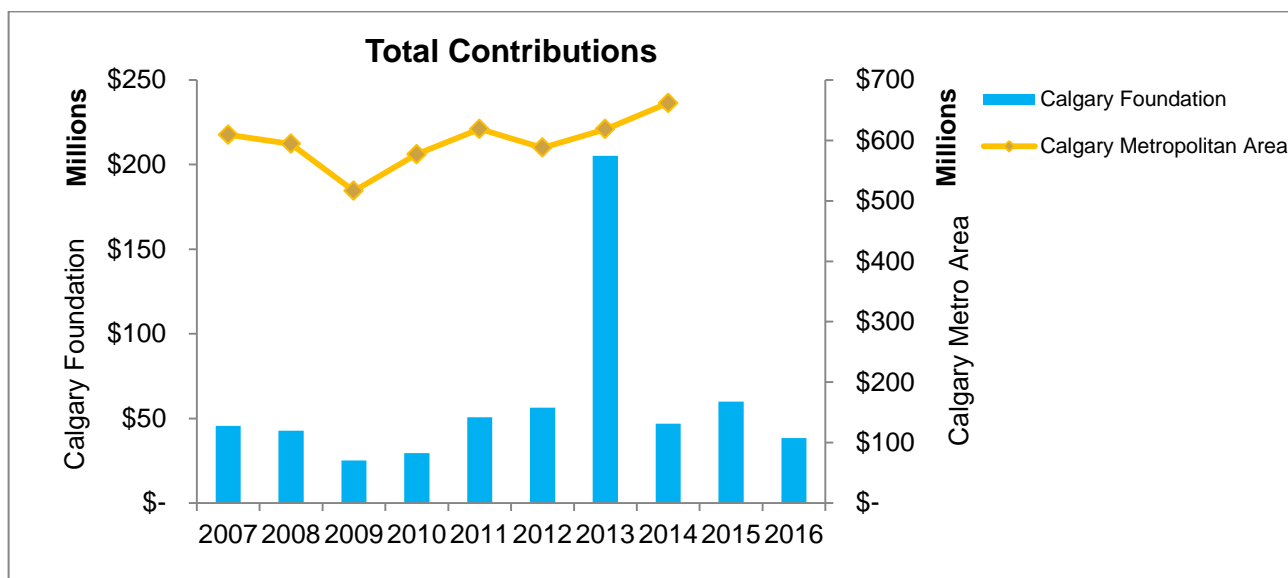
The Foundation seeks to inspire giving. Gifts to all charitable organizations in Calgary are celebrated. Although the number of donors to the Foundation has increased since 2012 – with outsize growth in fiscal 2014 because of Calgary’s dramatic response to the Flood Rebuilding Fund – we do measure those 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 including a deliberate intergenerational engagement with donor families. This engagement has led to and may continue to lead to the giving of additional gifts during lifetime or through bequests which are then made known to the Foundation as a means to carry out the donors’ philanthropic wishes. An organization-wide individual donor survey undertaken in the last quarter of fiscal 2014 resulted in an overall donor satisfaction rating of 5.83/7.00 (83.3%) as compared with 5.94/7.00 (84.8%) for a typical funder in the cohort of 10 community foundations with a rating 6.43/7.00 (91.8%) being at the top of the range. The ongoing delivery of comprehensive, consistent, sustainable services to donors and their families, while helping improve donor satisfaction, will be measured again by repeating the donor perception survey in fiscal 2017.

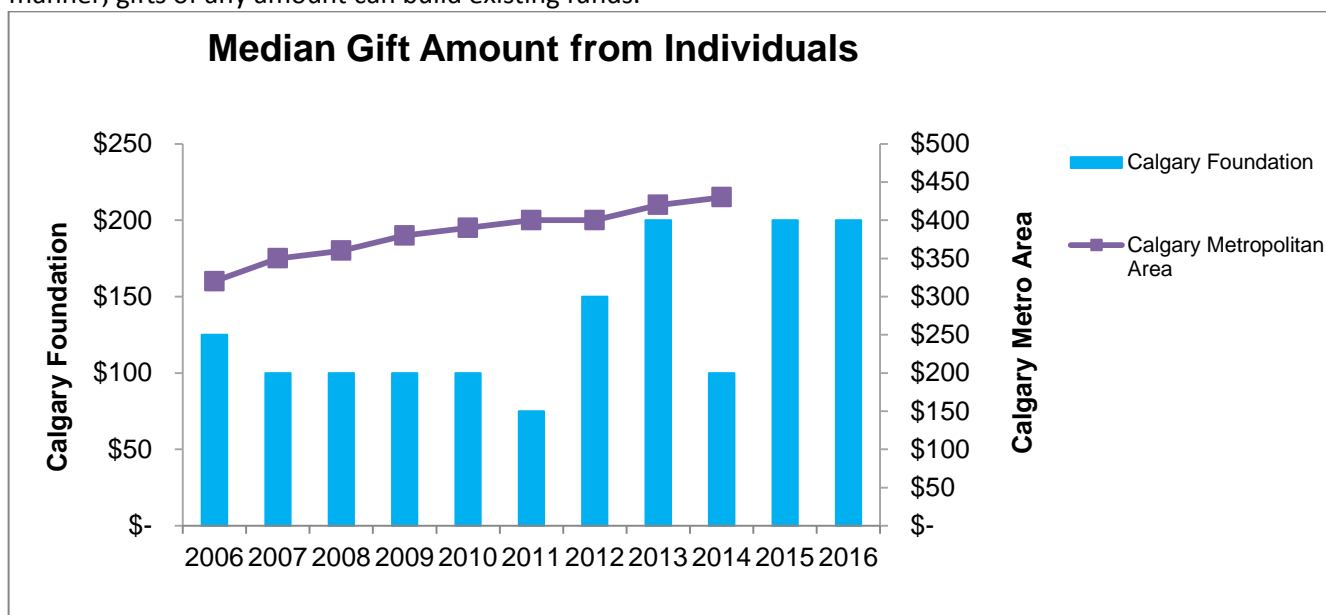
In very general terms, the trend line of donors’ contributions to the Foundation mirrors the trend line of tax-receipted charitable donations claimed on tax returns for individuals resident in

Calgary and area – except for the impact of one very large gift to the Foundation in the 2013 fiscal year.



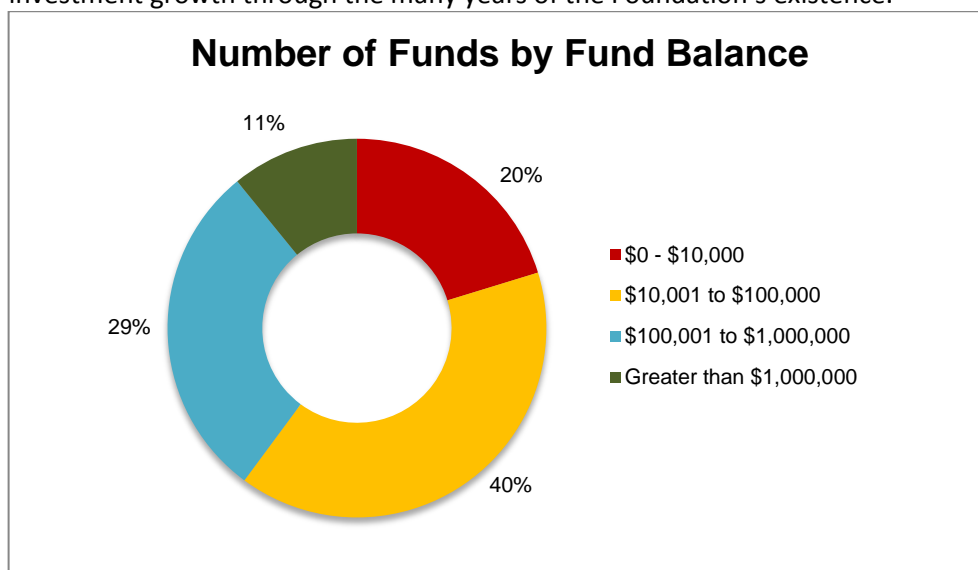
Source: Statistics Canada. Table 111-0001 - Summary of charitable donors, annual-calendar, CANSIM (database)

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.

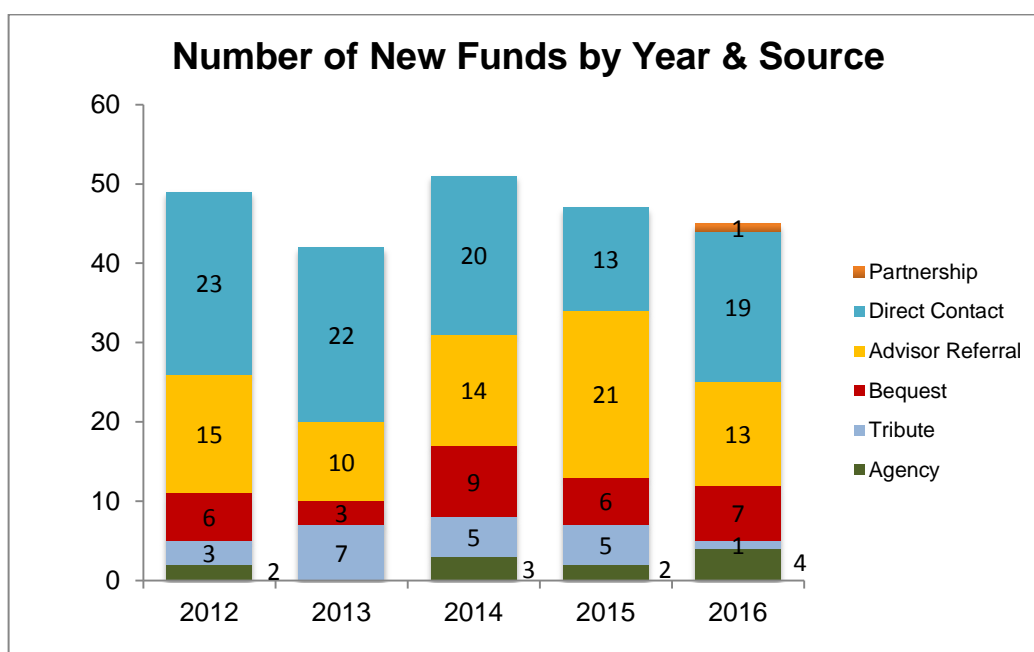


Source: Statistics Canada. Table 111-0001 - Summary of charitable donors, annual-calendar, CANSIM (database)

Sixty percent (2015 – 61%) of all the individual funds at March 31, 2016 had balances below \$100,000 with roughly 1/3 of that number representing funds established with less than \$10,000. These figures overstate the number of funds established with less than \$10,000 due to investment growth through the many years of the Foundation’s existence.



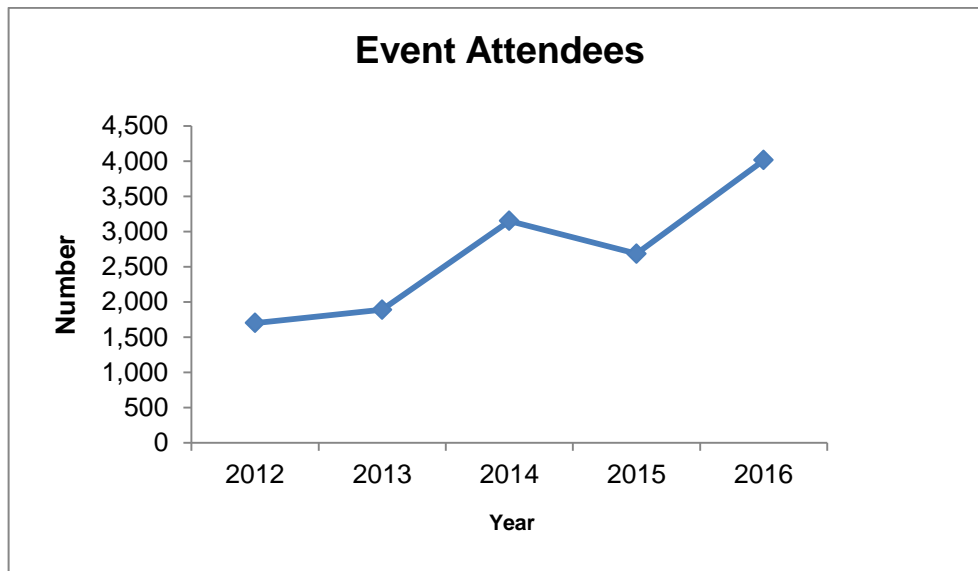
The Foundation works with existing and potential donors to create funds in many and varied ways that best suit each individual or organization. The number of new funds established each year, both living and testamentary, has varied within a relatively narrow range over the past five years. Direct contact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



Public Confidence and Reputation

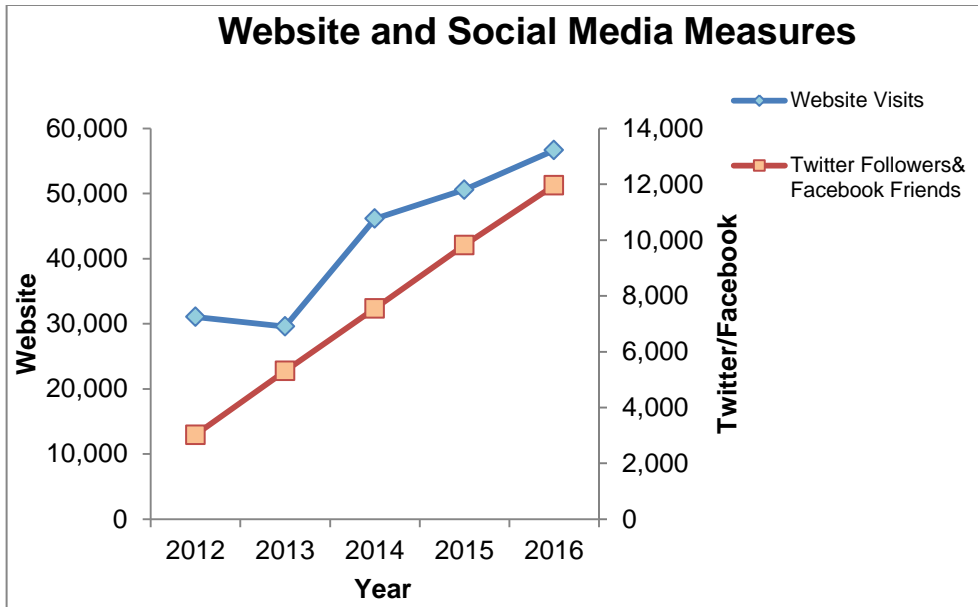
Desired Impact: Public knows and values the Foundation as a strategic advisor in philanthropy, an impactful grant maker and a knowledgeable community leader and convenor.

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 2012.

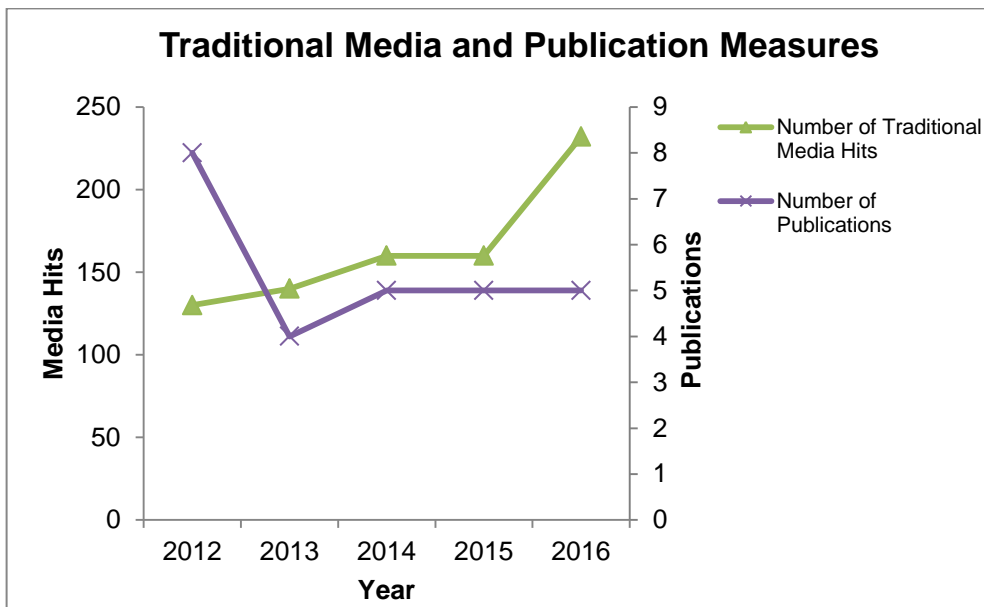


Social media, primarily Twitter and Facebook, were used for event and publication promotion. The Foundation 'tweets' on a daily basis to promote upcoming events, support partner organizations and generate conversation with our 'followers' and 'friends'. A new website was developed in 2014 to be interactive, 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 number of website visits and social media connections has increased at a steep rate over the last five years.

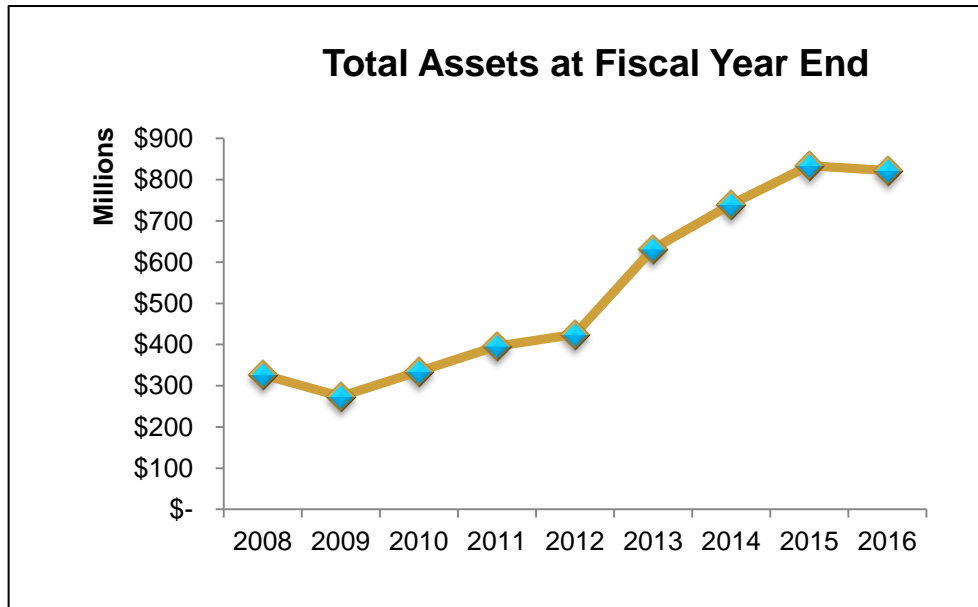


The Vital Signs report, Foundation annual report and spring and fall editions of SPUR magazine were published in fiscal 2015.



Financial Assets

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

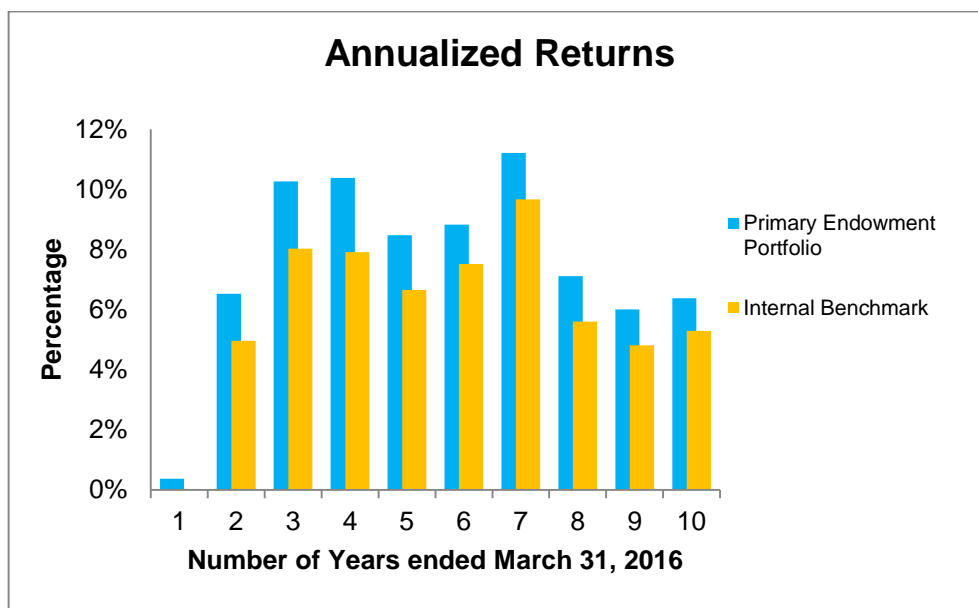


Investments

The total assets of the Foundation's primary endowment portfolio ("Endowment") at March 31, 2016 were \$724.0 million, representing 88% of the total assets (2015 – \$740.2 million and 89% of total assets). The Endowment is managed by external investment managers in accordance with the Statement of Investment Policy and Procedures ("SIPP"). The principal purpose of the SIPP is to formulate guidelines for the prudent investment of the Endowment. The SIPP 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 SIPP. The chart represents 1-10 year annualized performance for the period ending March 31st, 2016.

Annual Performance	<u>2016</u>	<u>2015</u>
Endowment	0.4%	13.1%

Asset Class:

Canadian fixed income	0.8%	10.3%
High yield fixed income	-5.9%	4.8%
Canadian equity	-1.9%	8.3%
Canadian small cap equity	1.6%	-2.1%
Global equity	-0.4%	22.5%
Emerging markets equity	-5.9%	12.1%
Real estate	30.3%	7.2%
Private equity	10.4%	

The Endowment performance was flat over the year. Strong results within our alternative asset classes (private equity, real estate and infrastructure) offset weaker Canadian and global equity market returns.

Investor sentiment was more cautious over the latter half of 2015 driven by concerns over slowing economic growth. The flight to quality was evident as government bond yields outperformed investment grade corporate bonds, largely resulting from the decline in commodity prices. Over the past year the Canadian high yield market suffered from a gloomier economic outlook and the impact of low oil and commodity prices. Against this backdrop,

Canadian investment grade fixed income returns were marginally positive while our high-yield bond manager returns suffered.

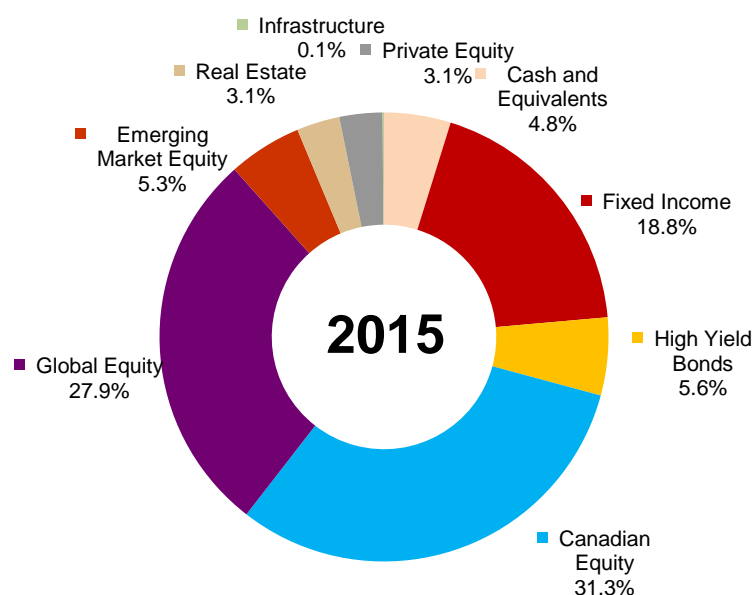
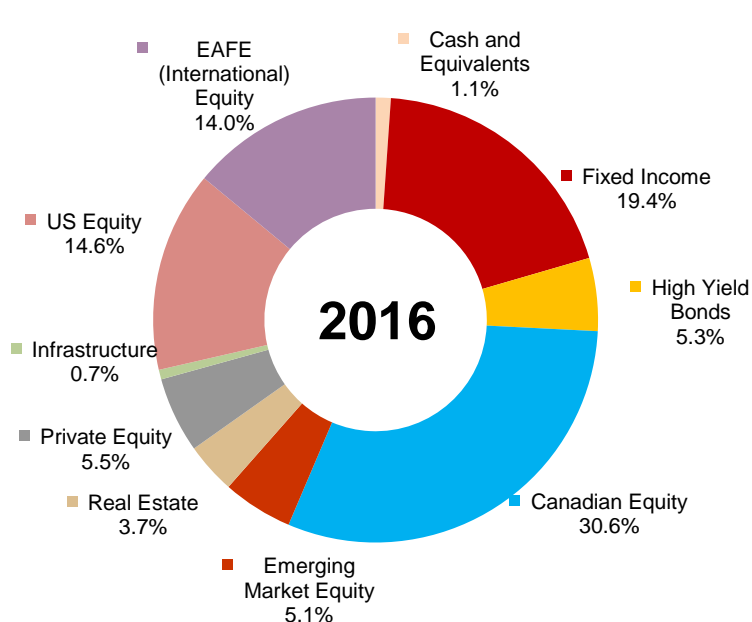
Global equity holdings fell in 2015 and into the first quarter of 2016 driven by disappointing economic data, a sudden devaluation of the Renminbi and a sharp drop in commodity prices. The continued uncertainty about the strength of the US recovery, the ongoing weakness in the global commodity complex and the slowdown in the Chinese economy negatively impacted our Emerging Market equity holdings over the fiscal year ending March 31, 2016.

The S&P/TSX Composite Index ended the fiscal year down 6.6% (2015 – up 2.6%) on a total return basis. 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 outperformed large cap holdings, accordingly, our actively managed Canadian small capitalization equity mandate bolstered returns.

Our public market holdings (Canadian and global equity) were significantly impacted by the global resource shock that dominated the economic landscape in 2015 and into 2016. Our private equity and real asset holdings (real estate and infrastructure) provided a positive offset to our public market assets.

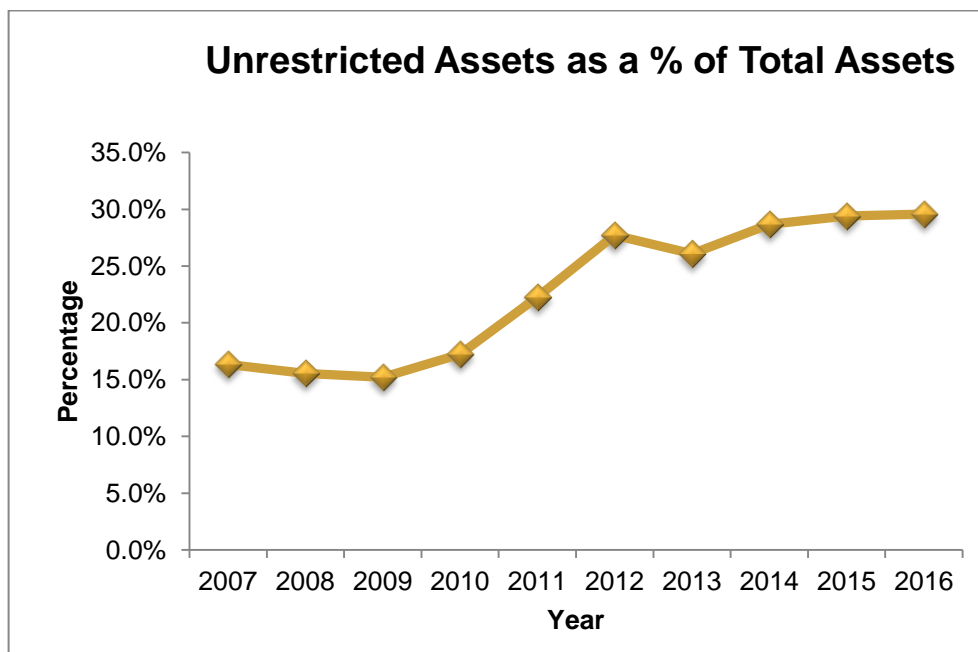
The Foundation will continue to increase our allocation to alternative asset classes (real estate, private equity, and infrastructure) over time.

At fiscal year-end 2016 and 2015, 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 16% in 2007 to 30% in 2016.

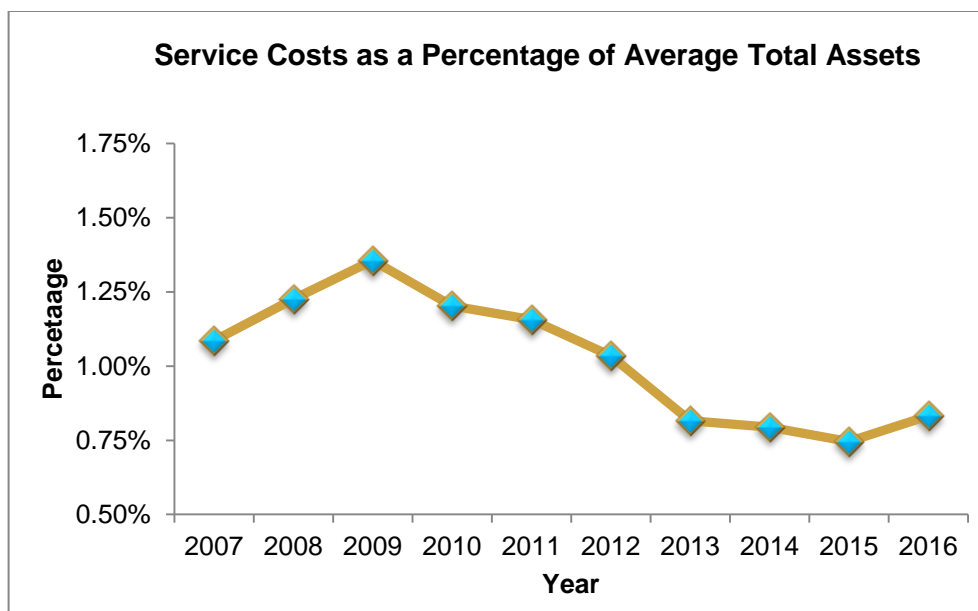


Organizational effectiveness

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

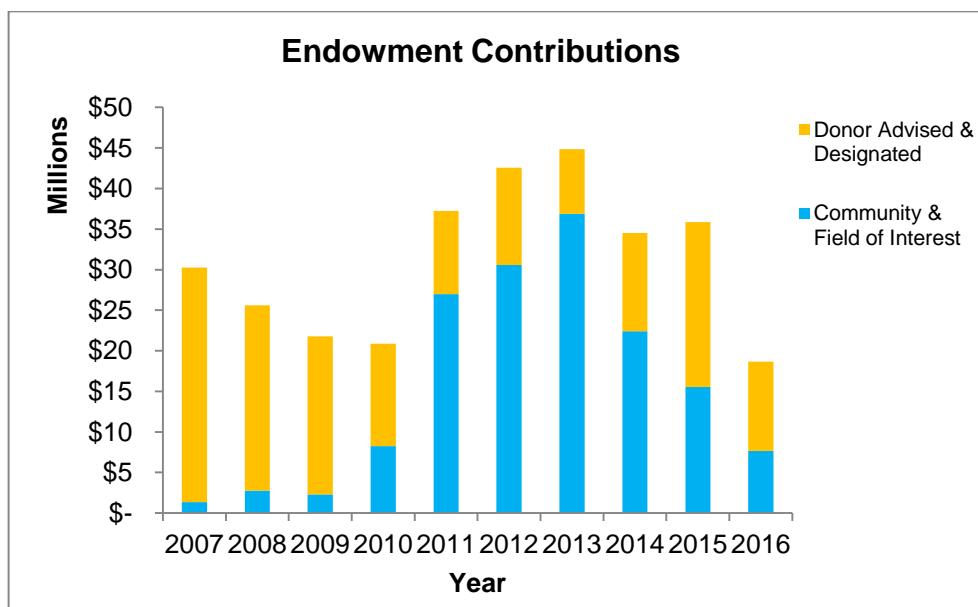
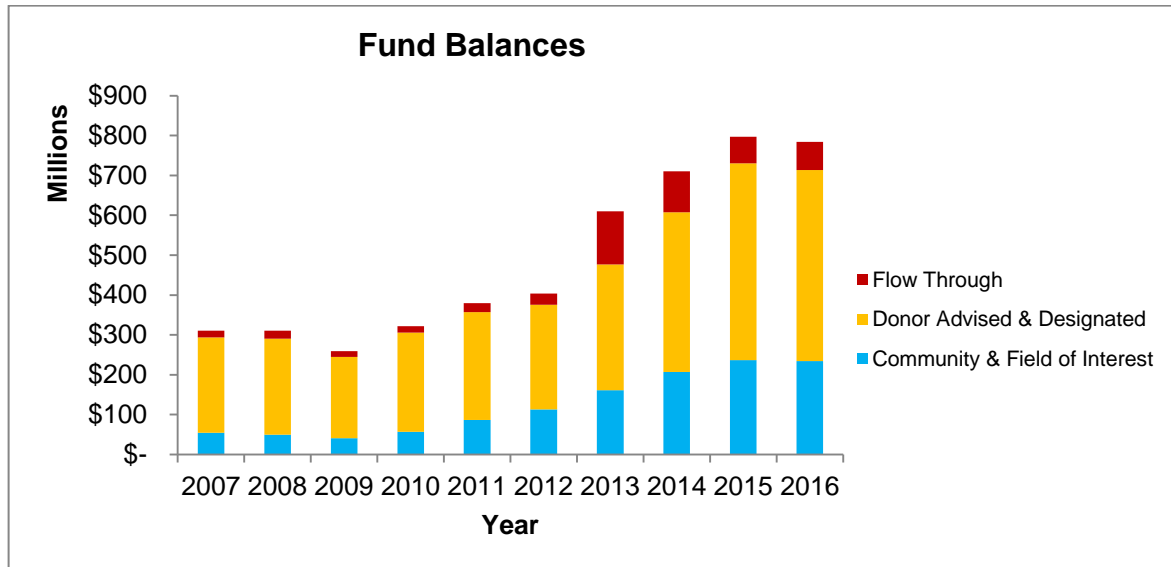
Assets

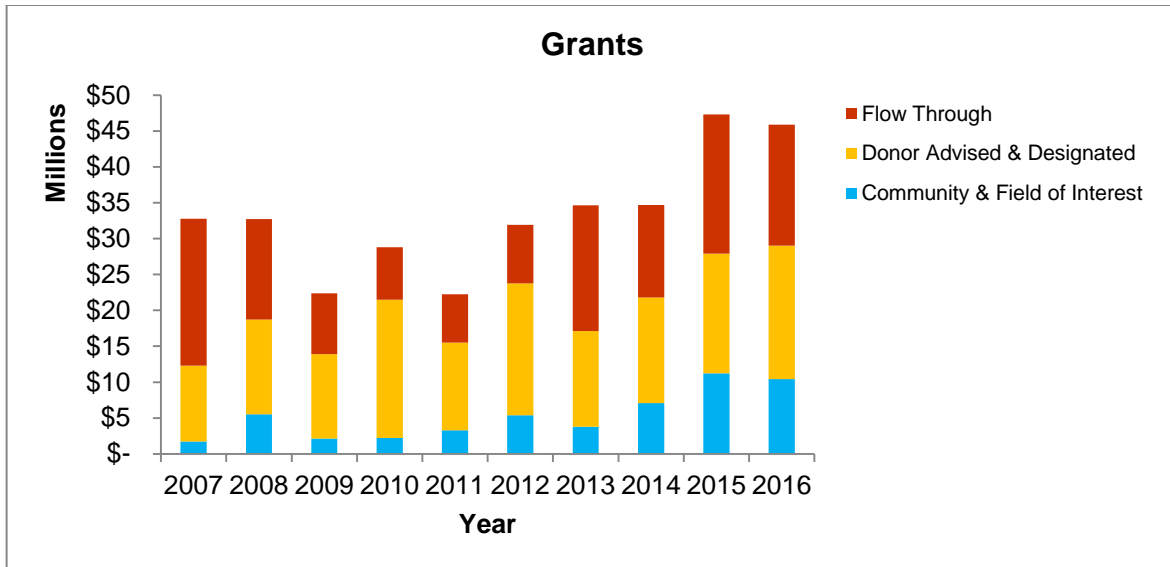
The Foundation's total assets under administration as at March 31, 2016 totalled \$822.6 million as compared to \$834.4 million at March 31, 2015.

Of the total assets under administration at fiscal year-end, \$29.1 million (2015 – \$27.6 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.

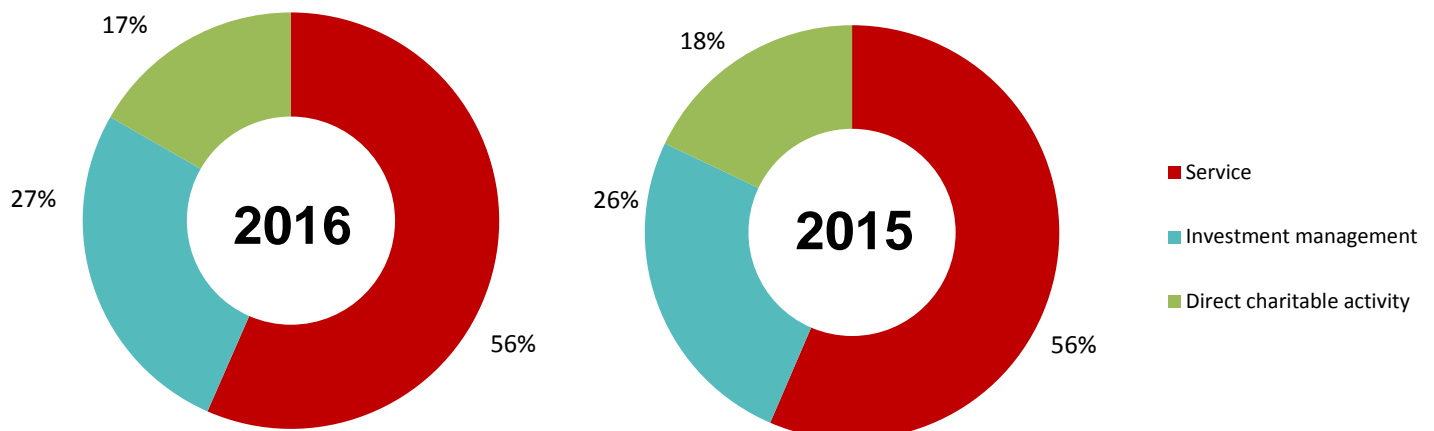
Operations

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.

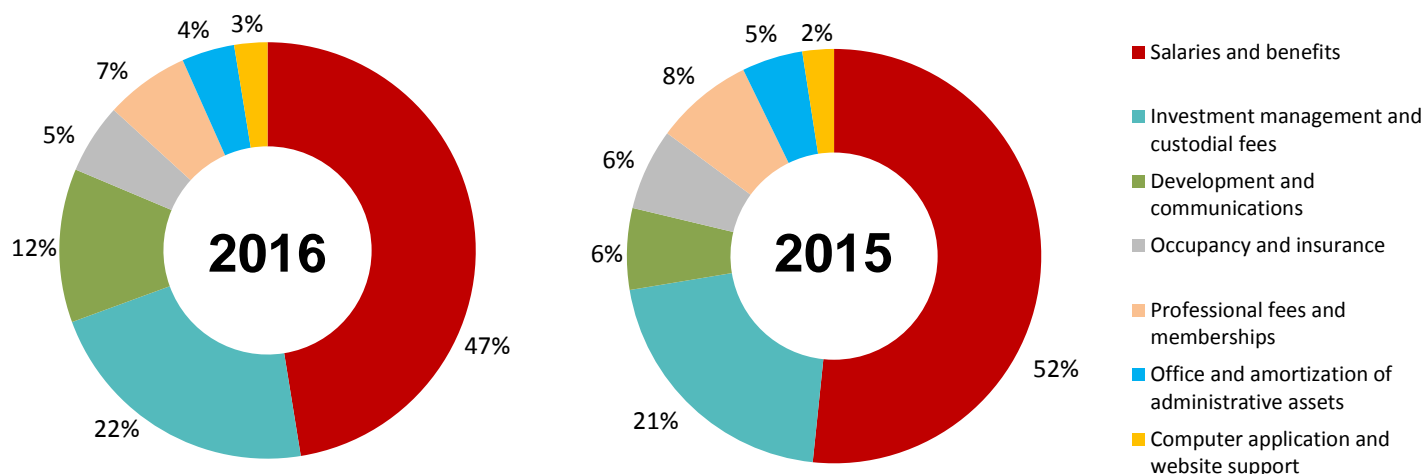




The service costs incurred to execute the strategy and drive performance are distinguished for management purposes between service costs (e.g. fund development, communications, accounting, computer support, general and administrative and related management), investment management costs (e.g. portfolio 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 \$6.9 million (\$5.9 million in 2015).



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 \$7.1 million in 2016 and \$6.4 million in 2015.
- (ii) Managed fund fees of \$331,000 (\$281,000 in 2015).

Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled \$0.4 million (2015 – \$0.8 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. As identified in the prior year, two risks have been evaluated 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 members at large 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 over the long run 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, 2016, 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, 2016, 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.

Charter Professional Accountants

KPMG LLP

June 23, 2016
Calgary, Canada

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THE CALGARY FOUNDATION

Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
Assets (note 3)		
Current assets:		
Cash and cash equivalents	\$ 83,002,806	\$ 91,297,877
Prepaid expenses	269,540	368,426
Accrued investment income	502,849	356,609
Current portion of loan receivable (note 5)	500,000	–
	84,275,195	92,022,912
Investments, at fair value (note 4)	737,069,150	739,222,170
Loan receivable (note 5)	–	1,940,576
Other assets (note 6)	1,332,144	1,182,961
	<u>\$822,676,489</u>	<u>\$ 834,368,619</u>

Liabilities and Net Assets

Current liabilities:		
Grants payable and accrued liabilities	\$ 4,925,896	\$ 7,306,283
Deferred flow-through grants (note 7)	70,659,868	66,668,796
	75,585,764	73,975,079
Non-current grants payable	4,641,577	2,480,440
Managed funds (note 8)	29,092,184	27,632,902
Foundation funds:		
Community and Field of Interest funds (note 7)	234,618,982	236,786,445
Donor advised and designated funds (note 7)	478,737,982	493,493,753
	713,356,964	730,280,198

Commitments (notes 9 and 11 (c))

\$822,676,489 \$ 834,368,619

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, 2016, with comparative figures for 2015

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2016	Total 2015
Revenue					
Contributions	\$ 7,645,713	\$ 11,033,653	\$ 19,670,632	\$ 38,349,998	\$ 59,934,356
Interest and dividends	8,848,851	17,589,487	—	26,438,338	28,889,286
Flow-through funds interest	326,185	—	155,325	481,510	1,162,641
Managed funds fees (note 8)	331,344	—	—	331,344	281,401
Realized capital gains (losses), net	25,011,368	49,413,095	(353,949)	74,070,514	13,386,959
Unrealized capital gains (losses), net	(33,298,787)	(66,550,710)	21,218	(99,828,279)	36,354,570
Total revenue	8,864,674	11,485,525	19,493,226	39,843,425	140,009,213
Expenditures					
Grants	(10,444,137)	(18,590,502)	(16,846,074)	(45,880,713)	(47,316,104)
Service costs, net (note 10)	(1,834,044)	(4,925,713)	(135,117)	(6,894,874)	(5,867,720)
Total expenditures	(12,278,181)	(23,516,215)	(16,981,191)	(52,775,587)	(53,183,824)
Transfers	1,246,044	(2,725,081)	1,479,037	—	—
Decrease (increase) in deferred flow-through grants	—	—	(3,991,072)	(3,991,072)	35,533,794
Change during the year	(2,167,463)	(14,755,771)	—	(16,923,234)	122,359,183
Balance, beginning of year	236,786,445	493,493,753	—	730,280,198	607,921,015
Balance, end of year	\$234,618,982	\$478,737,982	—	\$713,356,964	\$730,280,198

See accompanying notes to the consolidated financial statements.

CALGARY FOUNDATION

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	\$(16,923,234)	\$ 122,359,183
Change in deferred flow-through grants	3,991,072	(35,533,794)
Change in Managed funds (note 8)	1,459,282	5,952,186
Change in funds	(11,472,880)	92,777,575
Change in non-current grants payable	2,161,137	(753,760)
Items not involving cash:		
Realized capital (gain) loss on sale of investments	(76,995,689)	(13,898,286)
Unrealized capital loss (gain) on investments	103,714,140	(37,656,420)
Contributions of non-cash gifts	(17,367,528)	(11,449,779)
Managed fund fees (note 8)	(331,344)	(281,401)
Amortization of administration assets (note 10)	44,457	54,521
	(247,707)	28,792,450
Changes in non-cash working capital:		
Prepaid expenses	98,886	(178,040)
Accrued investment income	(146,240)	179,064
Grants payable and accrued liabilities	(2,380,387)	2,197,993
	(2,675,448)	30,991,467
Investing activities:		
Purchase of administrative assets	(152,036)	(51,859)
Loan for real estate acquisition (note 5)	1,440,576	1,000,000
Proceeds from sale of endowment investments	356,859,659	71,314,119
Proceeds from sale of flow-through investments	8,000,000	25,231,603
Purchase of endowment investments	(371,767,822)	(108,332,169)
Purchase of flow-through investments	—	(5,049,500)
	(5,619,623)	(15,887,806)
Net increase (decrease) in cash and cash equivalents	(8,295,071)	15,103,661
Cash and cash equivalents, beginning of year	91,297,877	76,194,216
Cash and cash equivalents, end of year	\$ 83,002,806	\$91,297,877

See accompanying notes to the consolidated financial statements.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016, with comparative figures for 2015

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 endowment funds.

(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, 2016, with comparative figures for 2015

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 financial statements, unaudited financial statements and unaudited financial information. 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, 2016, with comparative figures for 2015

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 is 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.

(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.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

2. Significant accounting policies (continued)

(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	\$ 10,901,406	\$ 12,497,563	\$ 59,019,376	\$ 584,461	\$ 83,002,806
Prepaid expenses	252,583	16,957	—	—	269,540
Accrued investment income	207,277	238,585	42,037	14,950	502,849
Current portion loan receivable	500,000	—	—	—	500,000
Investments, at fair value	231,159,899	465,748,375	11,668,103	28,492,773	737,069,150
Other assets	237,220	1,089,924	5,000	—	1,332,144
March 31, 2016	\$243,258,385	\$479,591,404	\$ 70,734,516	\$ 29,092,184	\$822,676,489
March 31, 2015	\$245,354,597	\$493,873,938	\$ 67,507,182	\$ 27,632,902	\$834,368,619

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

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.

	2016	2015
Bonds and debentures		
Investment grade	\$153,295,388	\$160,435,492
High yield	38,704,065	41,322,629
	191,999,453	201,758,121
Stocks		
Canada	220,238,862	232,302,294
International	253,589,779	258,475,806
	473,828,641	490,778,100
Real estate	27,102,690	23,192,452
Infrastructure	5,157,478	644,933
Private equity	38,980,888	22,848,564
	\$737,069,150	\$739,222,170

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.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

5. Loan receivable (continued)

	2016	2015
Loan to cSPACE repayable in full November 2016 with interest at 4.75% per annum	\$500,000	\$1,940,576
Current portion of loan receivable	(500,000)	—
	\$ —	\$1,940,576

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

6. Other assets

	2016	2015
Cash surrender value of donated life insurance policies	\$1,066,678	\$1,025,074
Miscellaneous	40,272	40,272
Administrative assets, net of accumulated amortization of \$434,253 (2015 - \$390,989)	225,194	117,615
	\$1,332,144	\$1,182,961

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

	2016			2015	
	Premiums paid	Cash surrender value	Face value	Face value	
Whole life policies	\$ 129,603	\$ 1,066,678	\$ 15,258,509	\$ 15,344,864	
Term life policies	17,400	—	615,000	615,000	
	\$ 147,003	\$ 1,066,678	\$ 15,873,509	\$ 15,959,864	

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, 2016, with comparative figures for 2015

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.

	2016	2015
Community	\$ 187,197,441	\$186,698,515
Field of Interest	47,421,541	50,087,930
	<u>\$ 234,618,982</u>	<u>\$236,786,445</u>
Donor advised	\$ 252,162,570	\$261,001,107
Designated	226,575,412	232,492,646
	<u>\$ 478,737,982</u>	<u>\$493,493,753</u>
Deferred flow-through	70,659,868	66,668,796
	<u>\$ 784,016,832</u>	<u>\$796,948,994</u>

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2016 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, 2016, with comparative figures for 2015

8. Managed funds

a) Change in Managed funds

	2016	2015
Increases		
Deposits	\$ 2,360,600	\$ 4,066,907
Interest and dividends	1,040,690	1,084,315
Realized capital gains, net	2,925,175	511,327
Unrealized capital gains, net	—	1,301,850
Total increases	6,326,465	6,964,399
Decreases		
Withdrawals	(649,978)	(730,812)
Service fees	(331,344)	(281,401)
Unrealized capital losses, net	(3,885,861)	—
Total decreases	(4,867,183)	(1,012,213)
Change during the year	1,459,282	5,952,186
Balance, beginning of year	27,632,902	21,680,716
Balance, end of year	\$29,092,184	\$27,632,902

b) Assets held on the Statement of financial position:

	2016	2015
Canadian Hockey Foundation Fund	\$ 9,019,401	\$ 9,081,459
Ann & Sandy Cross Conservation Area Fund	4,199,103	4,474,382
NECCS Capital Maintenance (Life Cycle) Reserve Fund	2,614,342	2,126,582
CSPG Educational Trust Fund	1,682,360	1,698,060
Estelle J. Siebens Outreach Endowment Fund	1,249,874	1,314,609
Safe Haven Foundation Managed Fund	1,016,202	—
Foothills Academy Society Bursary Trust Fund	976,921	1,028,046
Rotary Club of Calgary Managed Fund	968,445	995,487
Alberta Stockmen's Memorial Association Fund	949,537	984,668
CSEG Foundation Managed Fund	733,951	652,872
Knox United Church Foundation of Calgary Fund	709,078	—
Fig Tree Charitable Foundation Fund	627,607	686,882
Alberta Emerald Foundation Managed Fund	640,694	648,734
Calgary Highlanders Regimental Funds Foundation Fund	588,701	594,598
Calgary Habitat for Humanity House Repurchase Fund	521,971	528,521
Vecova Centre for Disability Services and Research Fund	515,896	521,064
Foothills Academy Tuition Assistance Fund	418,344	440,249
Camp Okotoks Society Fund	406,573	421,682
Christ Church Endowment Trust Managed Fund	309,356	273,568
Brown Bagging for Calgary Street Kids Society	277,436	280,917
NECCS Operating Reserve Fund	267,402	270,081
Calgary Centre for Global Community Fund	256,974	360,441
KidSport Society of Calgary Managed Fund	142,016	250,000
	\$29,092,184	\$27,632,902

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

9. Commitments

The Calgary Foundation Investment Trust has unfunded investment commitments relating to real estate, infrastructure and private equity limited partnerships of \$97.4 million (2015 – \$115.9 million).

Asset class	Currency		
	March 31, 2016		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	–	\$63,019,142	€10,800,000
Real estate	–	\$23,279,903	–
Infrastructure	–	\$18,979,247	–
Private equity	–	\$20,759,992	€10,800,000

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

At March 31, 2016, the unfunded investment commitments denominated in U.S. dollars is \$63.0 million (2015 – \$60.5 million), translated into Canadian dollars in the amount of \$81.5 million (2015 – \$76.8 million). The unfunded investment commitments denominated in Euros is €10.8 million (2015 – €12.2 million), translated into Canadian dollars in the amount of \$15.9 million (2015 – \$16.7 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:

2017	\$ 350,000
2018 (to September 30, 2017)	170,000
	\$ 520,000

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

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:

2017	\$ 300,000
2018	500,000
2019	500,000
2020	500,000
2021 and after	3,200,000
	<u>\$5,000,000</u>

10. Service Costs

	2016	2015
Salaries and benefits	\$3,263,127	\$3,022,934
Investment management and custodial fees	1,510,931	1,213,912
Development and communications	820,943	371,977
Occupancy and insurance	373,818	372,601
Professional fees	278,853	306,017
Office	237,622	223,695
Memberships	171,172	143,776
Computer application and website support	176,994	144,044
Amortization of administration assets	44,457	54,521
Premiums to maintain life insurance policies	147,003	192,733
Contributions to pay premiums to maintain life insurance policies	(130,046)	(178,490)
	<u>\$6,894,874</u>	<u>\$5,867,720</u>

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, 2016, with comparative figures for 2015

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, 2016 the market value of the four funds totalled \$12.4 million (2015 – \$12.0 million).

Esther Honens Calgary International Piano Competition Foundation		
As at and for the year ended	December 31, 2015	December 31, 2014
Revenues	\$2,420,895	\$2,038,161
Revenues from the endowment funds	472,266	389,488
Expenses	2,756,013	2,100,775
Assets	399,359	737,705
Liabilities	515,937	517,338
Shareholders' equity (deficiency)	(116,578)	220,367

(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 funding to support the Luxton Foundation. At March 31, 2016 the Luxton Historical Foundation Fund had a market value of \$4.9 million (2015 - \$5.2 million).

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

11. Controlled organizations (continued)

(b) Eleanor Luxton Historical Foundation (continued):

Eleanor Luxton Historical Foundation		
As at and for the year ended	December 31, 2015	December 31, 2014
Revenues	\$325,699	\$234,867
Revenues from the endowment fund	206,657	190,979
Expenses	255,889	197,114
Assets	1,152,706	1,079,396
Liabilities	9,546	6,046
Unrestricted net assets	199,510	130,473

(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, 2015	December 31, 2014
Revenues	\$2,577,722	\$2,693,761
Expenses	2,415,386	2,507,966
Assets	57,137,068	24,983,574
Liabilities	46,833,441	14,842,283
Unrestricted surplus	610,359	448,023

In the Foundation's fiscal year ended March 31, 2016, \$124,000 was paid from previously approved grants from Community and Field of Interest funds to the Kahanoff Centre (2015 - \$372,000 approved and \$124,000 paid) 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, 2016, with comparative figures for 2015

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 \$30 million of financing for construction and the retirement of existing debt until a term loan, expected to be obtained in late 2016 by the Kahanoff Centre, replaces the construction financing. As of March 31, 2016, the Kahanoff Centre has borrowed \$21.9 million in construction financing (2015 – \$5.4 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, 2016, grants totalling \$12,500 were made by the Foundation from Donor Advised & Designated and Flow-through funds to the Stampede Foundation (2015 - \$25,500).

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 \$2,753 (2015 - \$3,363). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$360,801 (2015 - \$313,281).

A grant of \$7,835,625 to a public foundation for its charitable work represents the single disposition of contributions that is equal to or exceeds 10% of the gross contributions received for the twelve month period ended March 31, 2016 (2015 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

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, 2016				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ —	\$153,295,388	\$ —	\$ 153,295,388
Bonds and debentures, High yield	—	38,704,065	—	38,704,065
Stocks, Canada	220,238,862	—	—	220,238,862
Stocks, International	253,589,779	—	—	253,589,779
Real estate	—	—	27,102,690	27,102,690
Infrastructure	—	—	5,157,478	5,157,478
Private equity	—	—	38,980,888	38,980,888
	\$ 473,828,641	\$191,999,453	\$ 71,241,056	\$ 737,069,150
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
Infrastructure	—	—	644,933	644,933
Private equity	—	—	22,848,564	22,848,564
	\$ 490,778,100	\$201,758,121	\$ 46,685,949	\$ 739,222,170

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

14. Financial instruments (continued)

- 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.

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, 2016, with comparative figures for 2015

15. Financial risk management (continued)

(a) Credit risk (continued):

Credit rating	Percentage of the market value of the fixed income portfolios	
	2016	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$153,295,388	\$ 38,704,065
AAA	41.1%	1.7%
AA	25.9%	2.1%
A	23.9%	3.4%
BBB	9.1%	13.0%
BB	—	27.5%
<BB	—	52.3%

Credit rating	Percentage of the market value of the fixed income portfolios	
	2015	
	Investment grade bond	High yield bond
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%

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, 2016, with comparative figures for 2015

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.

Currency	Percentage of the market value of investments	
	2016	2015
Investments, at fair value	\$737,069,150	\$739,222,170
Canadian dollar	53.6%	56.9%
US dollar	28.9%	26.8%
Euro	6.7%	5.3%
British pound	3.1%	2.3%
Japanese yen	2.0%	2.5%
Other	5.7%	6.2%

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

15. Financial risk management (continued)

(i) Currency risk (continued):

Total hedged and unhedged investments held in foreign currencies as at March 31, 2016 was \$342,322,391, 46.4% of investments (2015 - \$318,688,187, 43.1% of investments). The most significant exposure to currency risk is \$212,956,672, 28.9% of investments (2015 - \$198,596,507, 26.8% 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, 2016 would have increased (decreased) net assets and investment income for the year by \$21.3 million (2015 - \$19.9 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:

	2016	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$153,295,388	\$38,704,065
Duration (years)	7.5	3.3
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(11.5 million)	\$(1.3 million)
Approximate resulting percentage decrease	(7.5%)	(3.3%)
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$11.5 million	\$1.3 million
Approximate resulting percentage increase	7.5%	3.3%

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2016, with comparative figures for 2015

15. Financial risk management (continued)

(ii) Interest rate risk (continued):

	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%

(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, 2016, with comparative figures for 2015

15. Financial risk management (continued)

(iii) Equity price risk (continued):

	2016	
	Canada	International
Stocks, at fair value	\$220,238,862	\$253,589,779
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$15.4 million	\$17.8 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(15.4 million)	\$(17.8 million)

	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)

16. Comparative figures

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

17. Government Remittances

The Foundation has no significant outstanding government remittances as at March 31, 2016 (2015 – nil).