

# ANNUAL FINANCIAL REPORT

June 2023

year ended March 31, 2023



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# Management's Discussion and Analysis

For the year ended March 31, 2023

*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, 2023, compared to preceding years. This MD&A should be read together with our audited financial statements and related notes dated June 26, 2023. All amounts (except activity, attendance, or participation figures) are based on financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations. 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 guidelines, and the Charitable Fund-raising Act and Regulations (Alberta). The Foundation has chosen to adopt Volunteer Canada's Code for Volunteer Involvement 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, MISSION, AND VALUES

The Foundation's vision is to build a healthy and vibrant community where everyone belongs.

The Foundation inspires philanthropy, supports the charitable sector, and builds a permanent endowment to address the current and future needs of people in the Calgary and area community.

In undertaking our mission, the Foundation knows the community, engages citizens, makes grants to make change across all not-for-profit sectors and connects donors with the needs they care about.

Our core values are accountability, compassion, excellence, inclusiveness, and integrity.

# Strategy and Key Result Areas

Leadership in Community Building, Philanthropic Support, Public Confidence and Reputation, Financial Sustainability and Organizational Effectiveness are the five key result areas.

## Leadership in Community Building

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

### Strengthening Charities

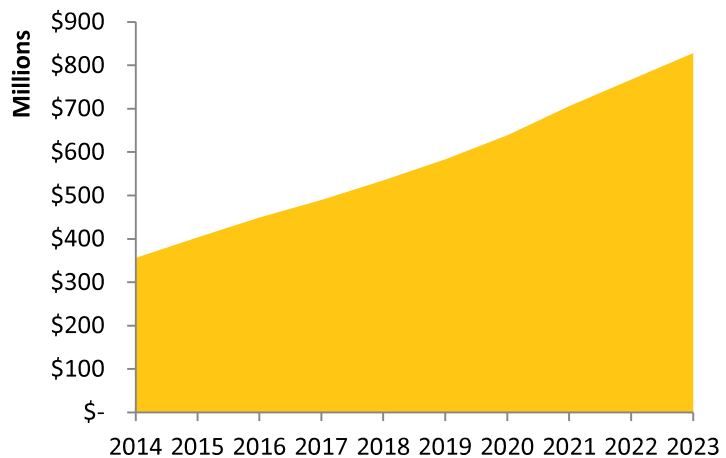
#### Grants

The Foundation provides grants to qualified donees (essentially other registered charities) to support all areas of the charitable community. Grants (including awards, scholarships, and bursaries) engage citizens in building their communities and strengthening charitable organizations, now and into the future. Annual grants from endowed funds are a percentage of the market value of the fund.

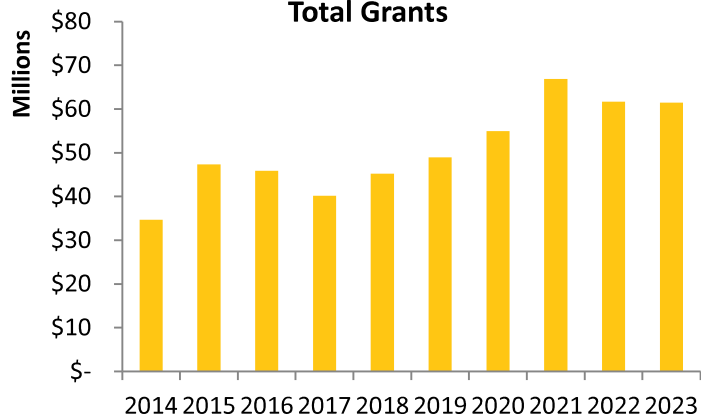
Foundation funds are flexible and adaptive to emerging community needs responding to a need that may not have existed when the fund was created.

Since the Foundation's inception in 1955, the total dollar value of grants to the end of March 2023 is approximately \$828.5 million (2022 – \$767.1 million).

Total Grants from Inception

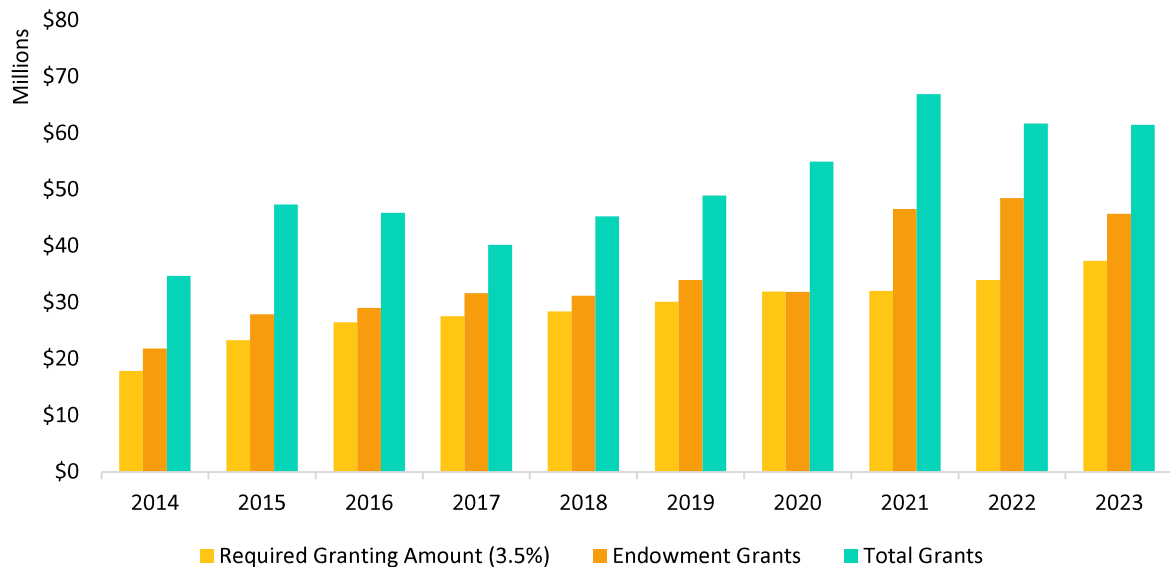


Total Grants



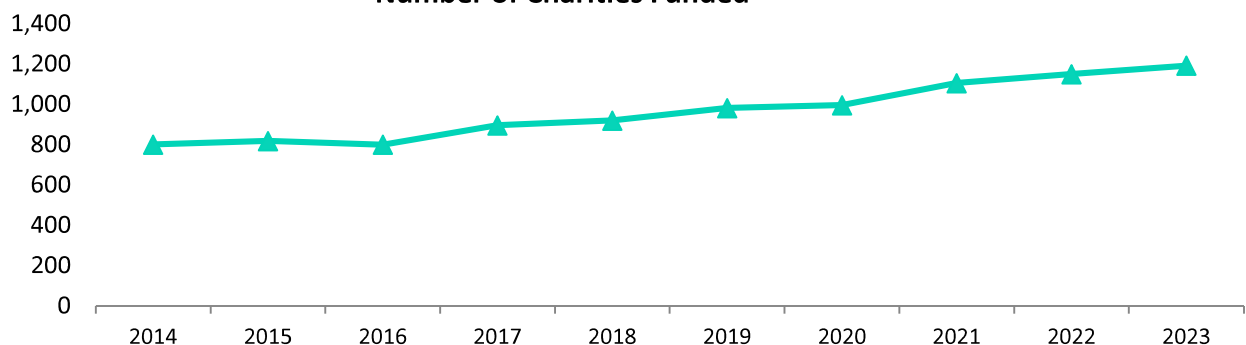
## Leadership in Community Building

### Grants to Qualified Donees (Essentially Registered Charities): Actual vs. Minimum Required per Legislation



Although the Income Tax Act (Canada) legislates a minimum percentage of the Foundation's assets that must be spent on grantmaking and other charitable work, the Foundation has focused on preserving the purchasing power of endowments while maximizing financial support to the charitable community. This focus has resulted in endowment grant amounts that have, over time, materially exceeded the legislated minimum.

### Number of Charities Funded



## Capacity-Building

The Foundation provides support to qualified donees beyond grantmaking. The Foundation financially supports capacity building workshops through other appropriate charitable organizations whose mission includes facilitating learning that focuses on strengthening capacity. In supporting learning delivered by other appropriate charitable organizations, the Foundation also builds the capacity of these organizations.

## Leadership in Community Building

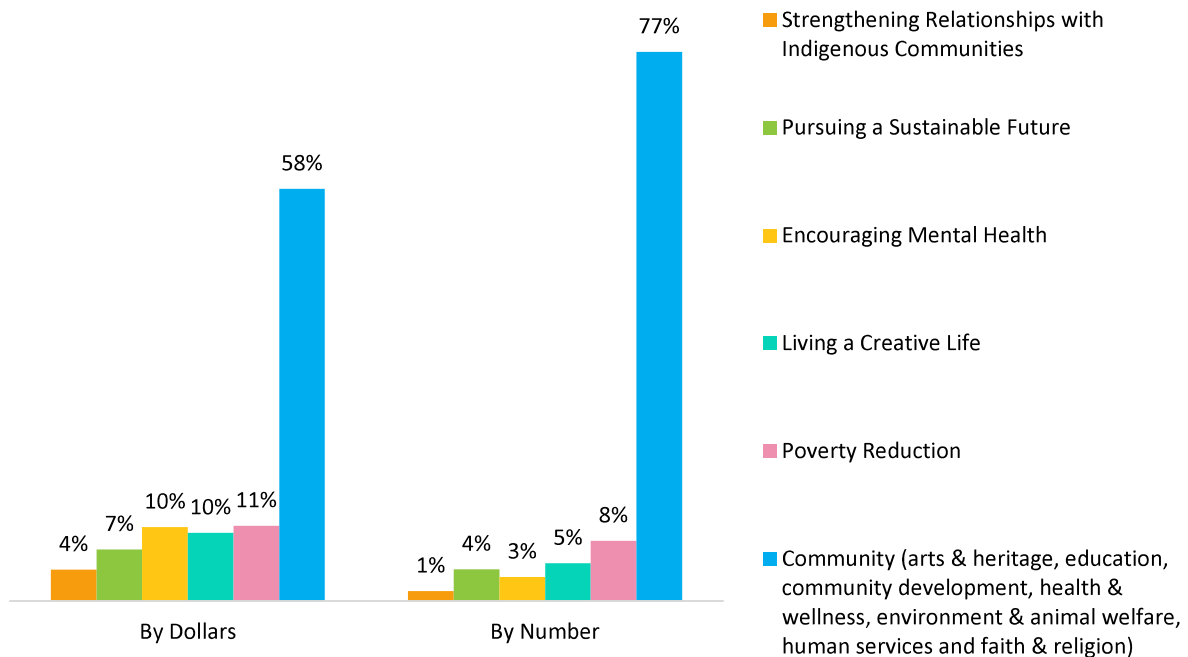
### Vital Priorities

The Foundation has identified five Vital Priorities on which to focus additional leadership and support. These Vital Priorities are:

- Living Standards: Poverty Reduction
- Arts: Living a Creative Life
- Wellness: Encouraging Mental Health
- Environment: Pursuing a Sustainable Future
- Community Connections: Strengthening Relationships with Indigenous Communities

This year, the Foundation provided 845 grants (2022 – 750 grants) worth \$26.1 million (2022 - \$22.6 million) to specific initiatives that support the five Vital Priority areas. As in 2022, Poverty Reduction attracted the most financial support, followed by Encouraging Mental Health. The allocation of funding to the Vital Priority areas in 2023 is as follows:

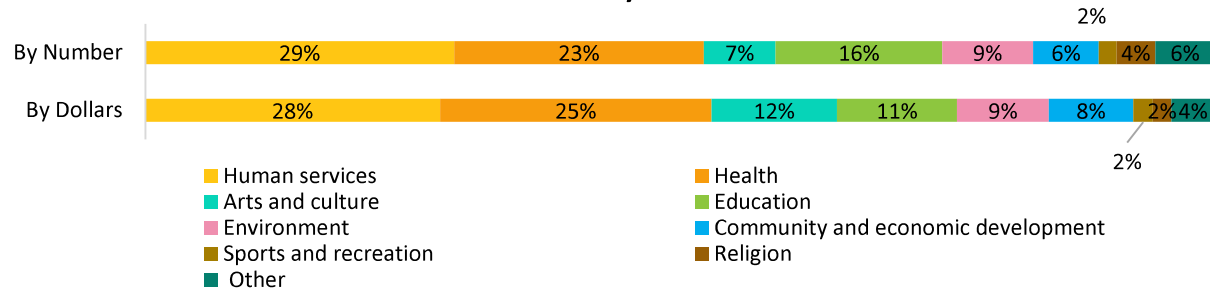
### Grants by Vital Priority



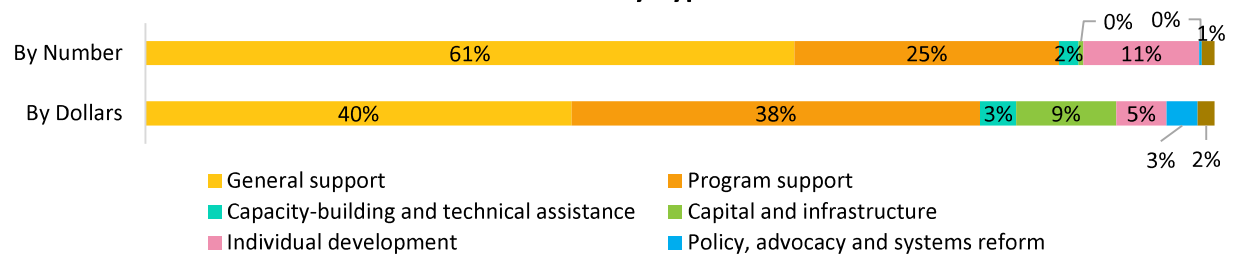
## Leadership in Community Building

The following five sets of charts offer insight into the total amount granted across all sectors in fiscal 2023:

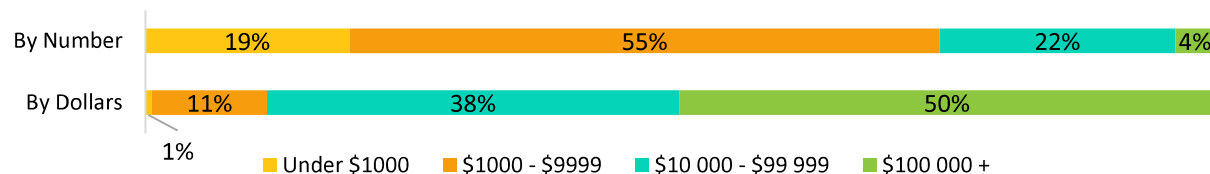
### Grants by Sector



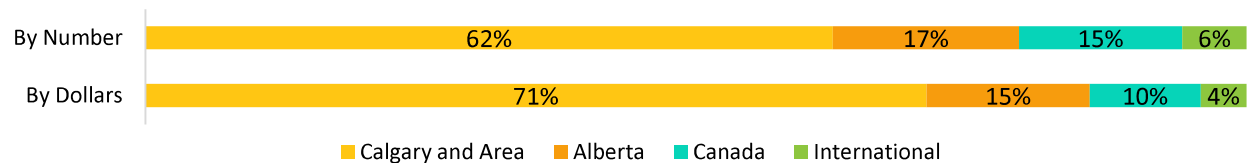
### Grants by Type



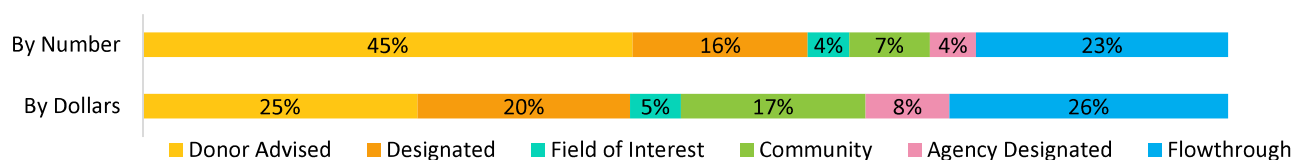
### Grants by Dollar Amount



### Grants by Geography



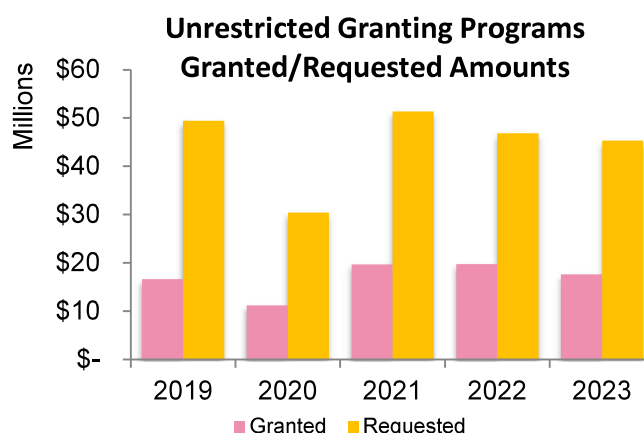
### Grants by Fund Type



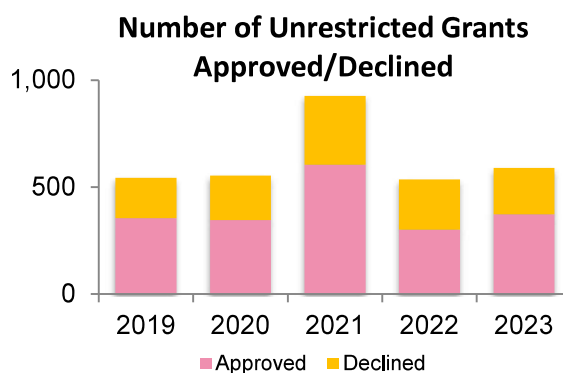
## Leadership in Community Building

Unrestricted granting programs are typically funded by Community and Field of Interest endowment funds. Many of these programs are supported by committees of volunteers who, while representing the community, are responsible for reviewing and recommending grants. From time to time, additional financial resources from other sources, such as Donor Advised, Designated, and Flow-through funds, may also contribute to unrestricted granting programs. These granting programs are application-based, generally directed to new and emerging needs, and, in normal years, encompass the following:

- Community Grants to support initiatives that engage citizens and strengthen charities in Calgary and area communities.
- Grassroots Grants help people implement their own small acts of community, right in the communities where they live, by offering small amounts of money for project expenses.
- Strategic Opportunity Grants to support small to mid-sized Calgary and area qualified donees with small, time sensitive, strategic initiatives that advance their work by testing ideas for new or enhanced programs or to bring outside expertise into the organization to build capacity, strengthen board governance or support professional development.



- Daryl K. ("Doc") Seaman Canadian Hockey Fund to support all aspects of amateur ice hockey in Canada on a nation-wide basis and initiatives that encourage young people to learn about, enjoy, and play amateur sport of all kinds as well as increase equal access and promote participation in community-based amateur sport.
- Major Grants to assist charitable organizations in all parts of the charitable sector by providing single or multi-year support for large-scale initiatives with transformational impact that broadly enrich the 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 as well as innovative partnerships and collaboration.





# Leadership in Community Building

## Engaging Citizens

The Foundation encourages active citizenship by helping residents undertake small, creative projects that benefit their local community or by supporting resident-led projects that help create and strengthen the bonds of neighbourliness. Through our Grassroots Granting programs (Neighbour Grants and Stepping Stones) people were engaged in projects that helped them better understand their neighbourhoods and communities and strengthen a personal and collective sense of belonging.

### Community Knowledge Centre

The Foundation’s [Community Knowledge Centre](#) (“CKC”) is a website that presents the work of registered charities and not-for-profits in Calgary and area. Through individual CKC profiles, organizations can showcase their innovative and impactful solutions to community issues. Since its inception in 2014, CKC has been a resource to share the Foundation’s knowledge of community with donors, charitable organizations, media, and other key stakeholders. To increase CKC membership and improve the way CKC member organizations share the impact of their work, the Foundation provides capacity building workshops focused on communications and storytelling.

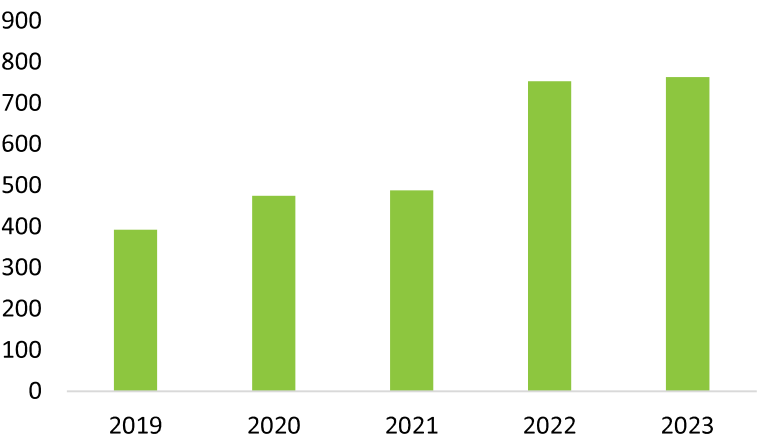
As of March 31, 2023, CKC membership had grown to showcase 763 (2022 – 753) charitable and not-for-profit organizations, a 1% (2022 – 54%) growth from the previous fiscal year end. The prior year growth was driven primarily by the decision in fiscal 2021 to expand membership beyond registered charities to include not-for-profit organizations that are not registered charities.

### Calgary’s Quality of Life

Over a decade ago, the Foundation launched a [Quality of Life](#) report to increase the effectiveness of the Foundation’s grantmaking, better inform donors about issues and opportunities, spark discussion, encourage connections, and inspire action. Calgary’s Quality of Life report features expert research combined with the results of a panel survey (1,000 Calgarians), wherein Calgarians speak to areas critical to quality of life.

The calendar 2022 Quality of Life report highlighted the impact that inflation has had on food security, access to transportation and giving trends. Attitudes towards safety and anti-racism, diversity, equity, and inclusion were also highlighted.

Number of Organizations on CKC Website

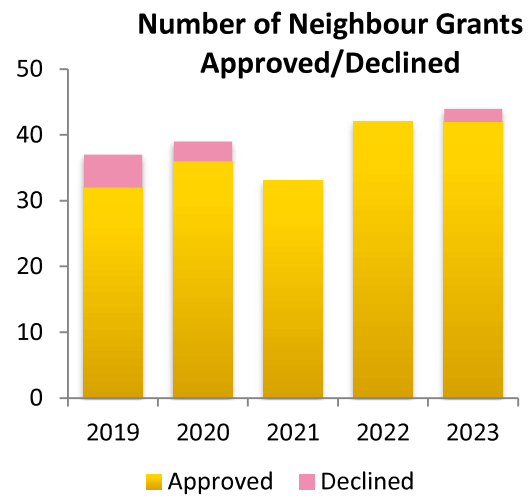


## Leadership in Community Building

### Engaging Citizens

#### Grassroots and Neighbour Grants

[Grassroots grants](#) help people build belonging and well-being at the neighbourhood and community level through small acts of community by offering small amounts of project funding. Neighbour Grants are grants to organizations whose work is laser-focused on Calgary communities and neighbourhoods.



## Philanthropic Support

*Desired Impact: Inform, inspire, and educate existing and potential donors, donor families, professional advisors, and charitable organizations about the unique value the Foundation brings to philanthropy.*

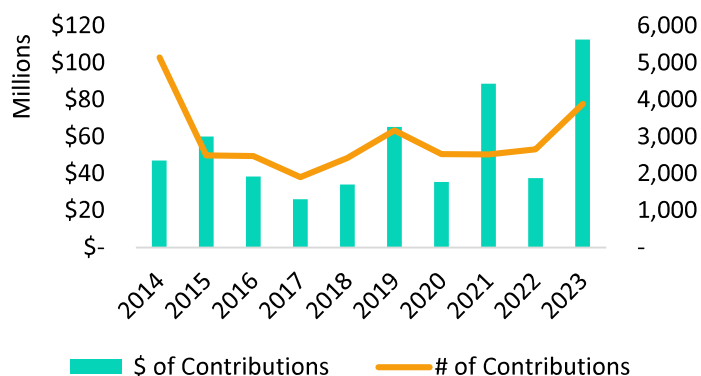
The Foundation is committed to continuously building our expertise and service offerings to scale and deepen donor stewardship, community knowledge, charitable sector capacity building, and innovative philanthropy – such as impact investing – described in more detail below. Our customized relationship management model offers each donor family resources such as family philanthropy workshops, strategic philanthropy conversation starters and guides, as well as webinars and family newsletters depicting their experiences with multiple generations.

Professional advisors remain a major source of referrals of new donors. The Foundation is focused on growing relationships with professional advisors whose expertise in areas such as financial and estate planning, taxation, and wealth management might benefit from the added component of strategic philanthropic planning.

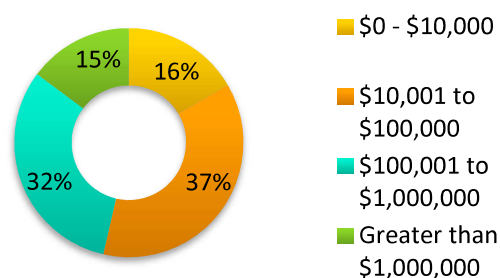
The Foundation welcomes gifts of any size, knowing that each gift – the impact multiplied when endowed – can further the mission. Gifts of any amount can build existing funds.

The Foundation works with existing and potential donors to create funds in many and diverse ways that best suit each individual or organization. Direct contact with donors and referrals by professional advisors has been the primary sources of individual funds.

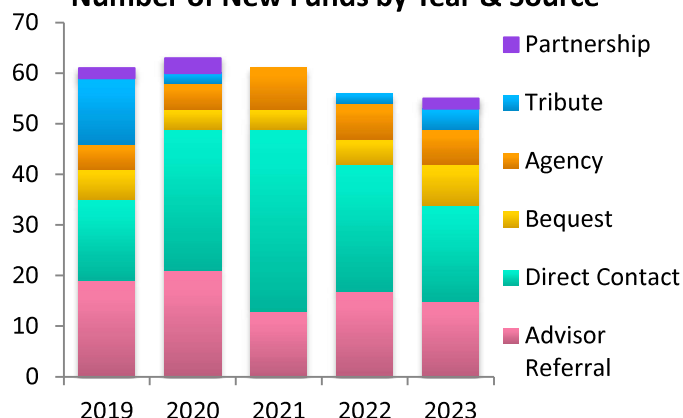
**Total Contributions**



**Distribution of Funds by Fund Balance**



**Number of New Funds by Year & Source**



## Public Confidence and Reputation

*Desired Impact: Stakeholders and public know and value the Foundation as a strategic advisor in trust-based philanthropy, an impactful grantmaker and a knowledgeable community leader and convenor.*

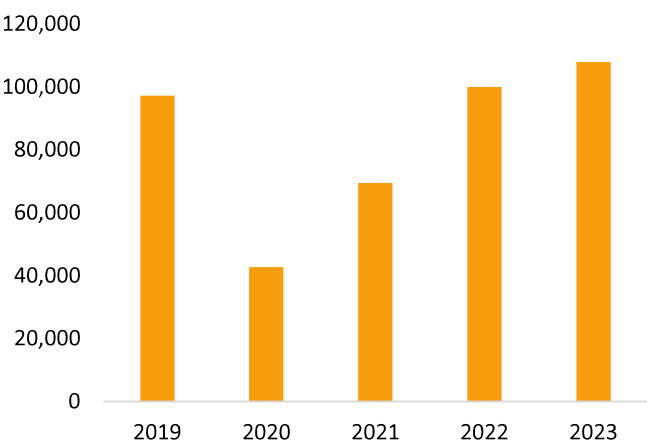
### Events

As a leader and convenor, the Foundation regularly brings together engaged citizens, donors, community leaders, as well as not-for-profit and business organizations around issues important to community. The Annual Celebration event extols philanthropy and provides a Foundation year-in-review. The 2022 calendar year event was a hybrid event with an in person gathering of over 200 and an online component live streamed to over 100 virtual attendees. The Changemaker Conversations, in partnership with Trico Changemakers Studio, are periodic gatherings for generative dialogue, meaningful connection and inspiration. The Foundation is bringing together community members and partners to have conversations on various social and environmental challenges with the intention to inspire new ways of knowing, being and doing.

### Publications

The Foundation’s external print publications include the Annual Report, spur magazine, Calgary’s Quality of Life report, and professional advisors’ e-newsletters, among others. The goal of all external publications is to grow the profile of the Foundation through compelling reporting. By sharing relevant research on timely topics, along with inspiring stories of impact, the Foundation works to elevate the profile of organizations and individuals who contribute to a strong, vibrant charitable sector.

Publication Reach

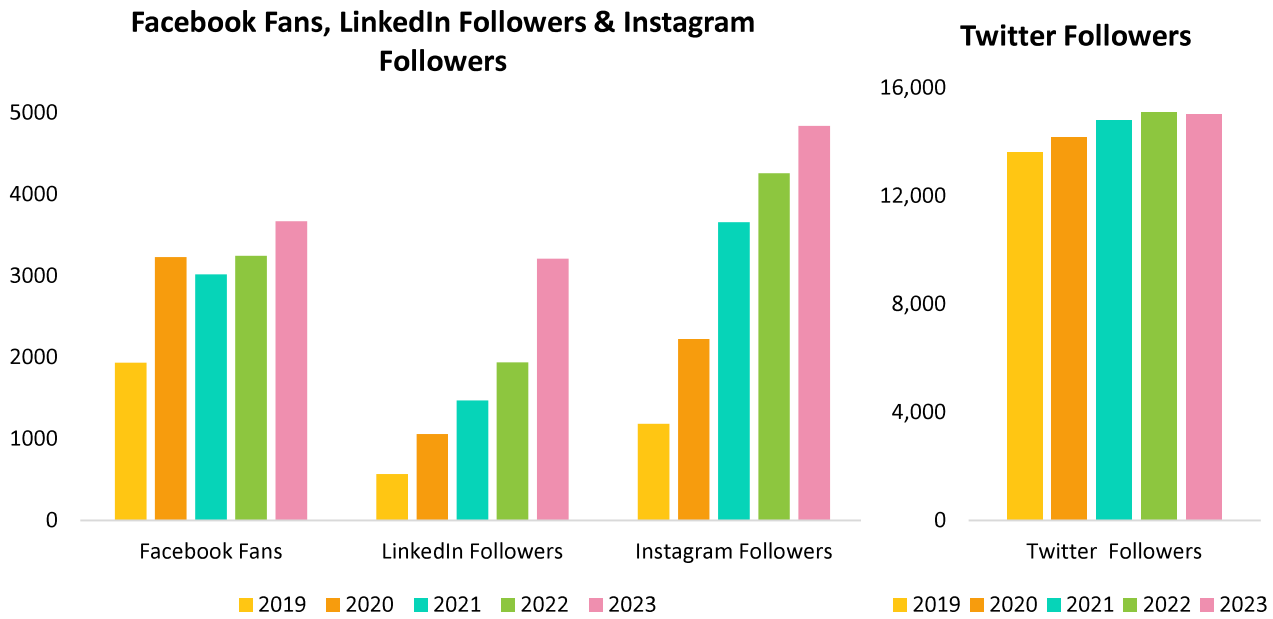


### Social Media

Social media platforms (Twitter, Facebook, Instagram, and LinkedIn) are used for promotion and marketing of Foundation events, initiatives, and publications and are also tools to amplify the work of the charitable sector and broader community. The Foundation refines and customizes channels and content to meet the needs of the Foundation and the organizations it supports. The Foundation posts to these platforms daily to promote upcoming events, support partner organizations, and generate conversations with followers.

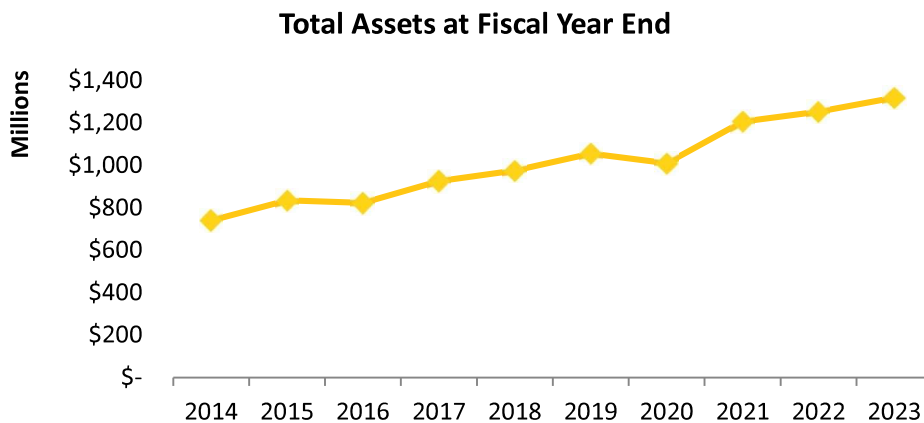
The role of the website in communicating the Foundation’s role and impact has become increasingly important. Site visitors can access a donor and fund contact portal (DonorCentral), online grants and student awards portals, as well as make donations to existing funds.

## Public Confidence and Reputation



## Financial Sustainability

*Desired Impact: Maximize benefits/impact to community by preserving the endowment's purchasing power.*



### Investments

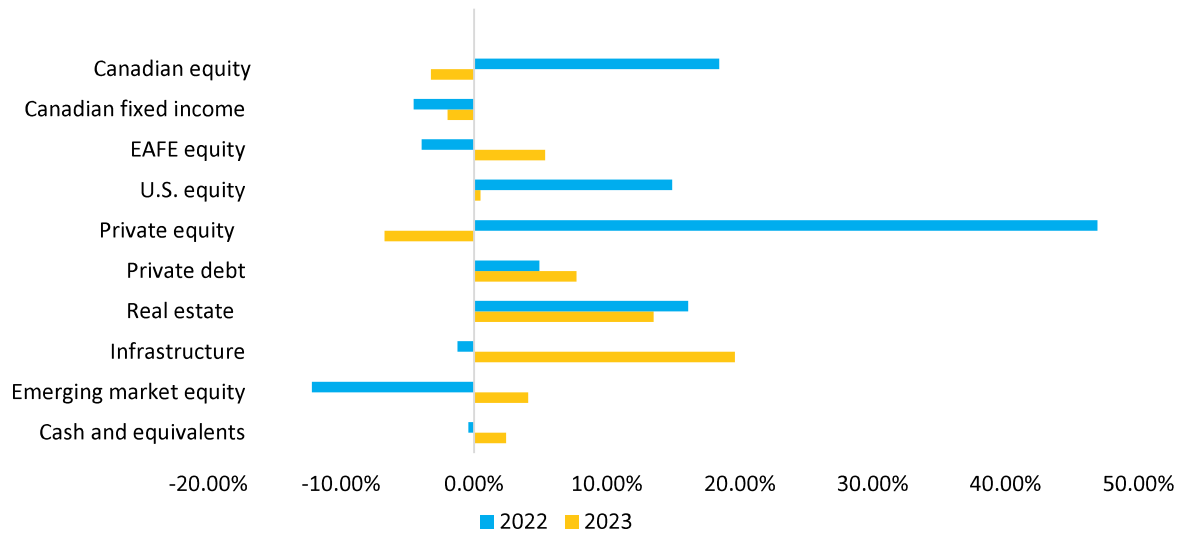
The Foundation has a robust management and governance structure in place to monitor and maintain the primary endowment portfolio (the “Endowment”) of \$1,188.8 million at March 31, 2023, which represents 90% of the charity’s total assets (2022 – \$1,148.4 million, 92% of total assets). The Foundation’s primary objective is to earn a rate of return over the long term that preserves the Endowment’s purchasing power while maximizing financial support to the charitable community.

The Foundation recognizes that it must take on some risk to execute its strategy, and that there are uncertainties and complexities when investing in capital markets. Therefore, the Foundation uses the expertise of external investment managers that work in accordance with the Statement of Investment Policy (the “Policy”) to implement the strategy. The Policy formulates the objectives and principal governance for prudent investment of the Endowment and uses a total return strategy that adds capital gains to other potential income sources to achieve the long-term return objective.

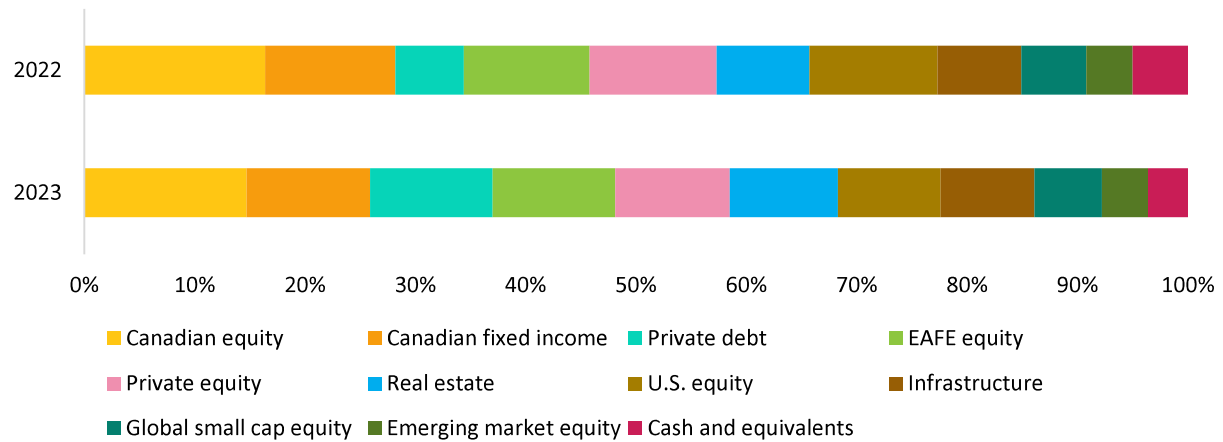
Environmental, social, and governance (“ESG”) and diversity, equity, and inclusion (“DEI”) analysis is important to the Foundation’s investment process because it is a tool for risk mitigation and mission alignment. In 2017, the Foundation began exploring ESG integration by adding to its investment policy and implementing an engagement approach resulting in deliberate monitoring of investment manager responsible investment and proxy voting policies. By 2019, ESG and DEI analysis was added to the manager hiring process and in 2020 formalized annual reviews of managers’ governance structures and policies was included in the oversight process. In 2021, the Foundation initiated an annual review process of proxy votes to shape meetings with managers and formal reviews. Today, these annual reviews continue while also tracking the DEI practices of managers and discussing ESG issues with them during quarterly meetings.

## Financial Sustainability

### Annual Performance



### Asset Allocation

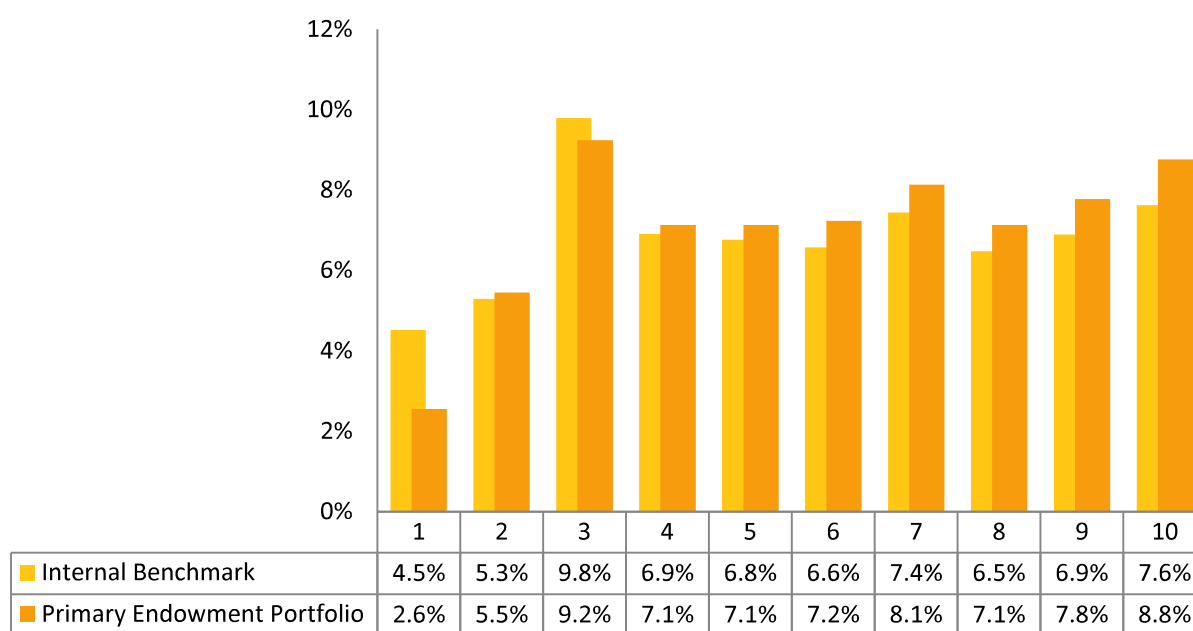


## Financial Sustainability

### Endowment Portfolio Performance

The Endowment's internal performance benchmark is a weighting of indices based on the optimal asset mix outlined by the Policy. The chart represents the one- to ten-year annualized performance for the periods ended March 31, 2023.

#### Annualized Returns



Number of Years ended March 31, 2023

Economic turbulence was a key feature of financial markets during the 2023 fiscal year caused in part by rising inflation and interest rates. At the beginning of 2022, pandemic reopening fueled higher inflation levels as supply and worker shortages, government aid, low interest rates and increasing consumer spending drove up prices. Russia's invasion of Ukraine in February further exacerbated supply issues leading to a surge in energy and food costs. Central banks responded to inflation by increasing interest rates which triggered further volatility in commodity and foreign exchange markets and negatively impacted global equities while investors continue to talk of possible recession. Despite the increased market volatility and economic uncertainty, the Endowment ended the fiscal year with a return of 2.6%. Private real assets (infrastructure and real estate) and private debt were the top contributors at 16.4% and 7.7%, respectively. International public equities also contributed to returns with developed markets returning 5.4%, small cap at 6.1%, and emerging markets at 4.1%. However, positive performance was offset by negative returns elsewhere in the portfolio. Private equity lost 6.7% over the year and Canadian and US public equities detracted 3.2% and 0.1%, respectively. Canadian bonds were also down 2.0% over the year. Overall, the Endowment exceeded its long-term investment objective with a 10-year annualized nominal return of 8.8% which exceeds the nominal benchmark return by 1.2% and preserves the purchasing power of assets.

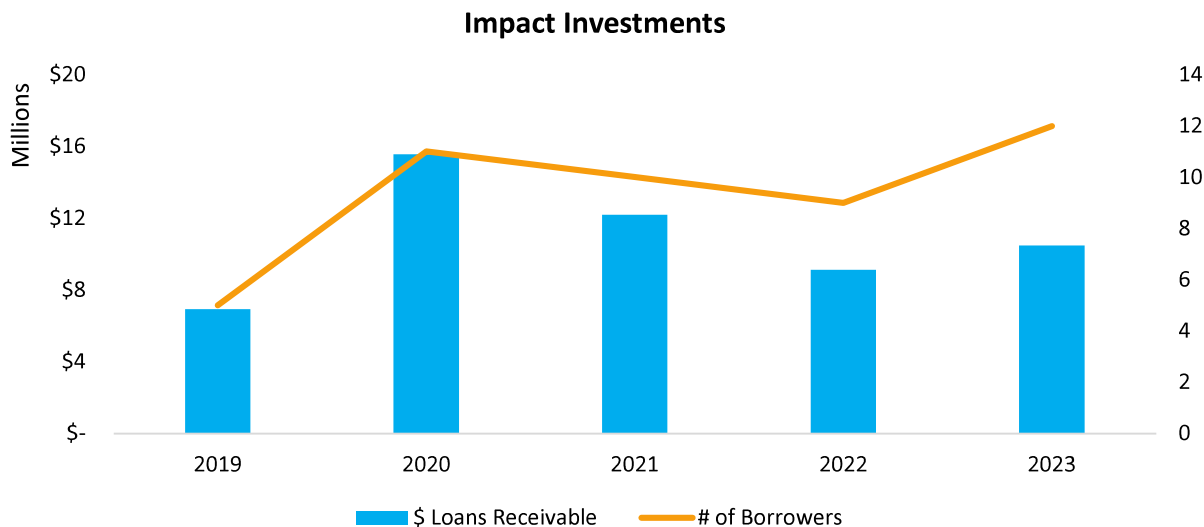


## Financial Sustainability

### Impact Investments

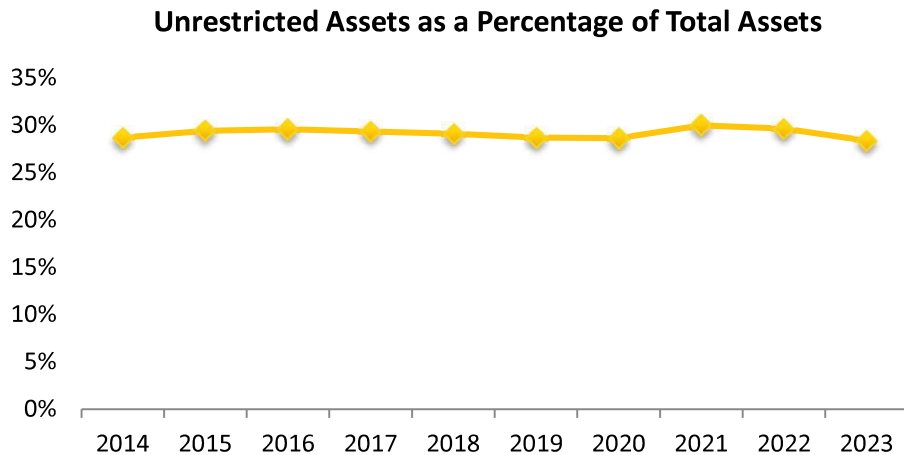
The Foundation's Impact Investment Program provides debt financing to Calgary and area charities and not-for-profit organizations working in all parts of the community. The program augments investments from other financial institutions or lends to organizations with credit capacity but who are unable to secure financing from a bank or other financial institution. The Foundation offers flexible terms and repayment plans at interest rates proportional to risk.

As at March 31, 2023, the Foundation has loaned \$26.6 million (2022 – \$24.9 million) to Calgary charities and not-for-profits since the program's inception. The Foundation has \$0.5 million (2022 – \$0.8 million) earmarked for loans to specific charities and has received \$17.6 million (2022 – \$17.1 million) in principal and interest payments since the program's inception to this fiscal year end.



### Unrestricted endowed funds

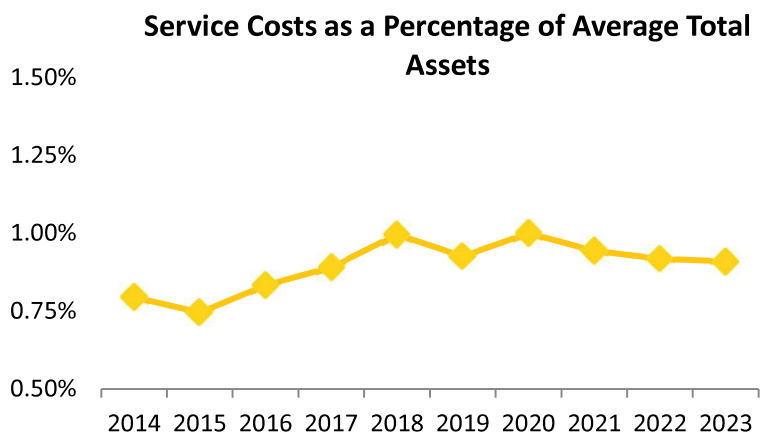
Attention is paid to the distribution of assets across the various types of funds. Community and Field of Interest funds, which are not restricted and are granted at the full discretion of the Foundation, have historically represented a significantly smaller percentage of the total assets than funds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



## Organizational Effectiveness

*Desired Impact: Sound management, strong governance, healthy workplace, and continuous learning support the achievement of goals where employees and volunteers work as a team and thrive.*

As a community foundation, the Foundation is committed to building a society where everyone feels they belong. This means the Foundation has a responsibility to learn and implement change across the organization, as well as to influence change more broadly within the Calgary community. Recommendations from the 2021 racial equity audit continue to be implemented, with the goal to embed racial equity and reconciliation in the culture of the organization.



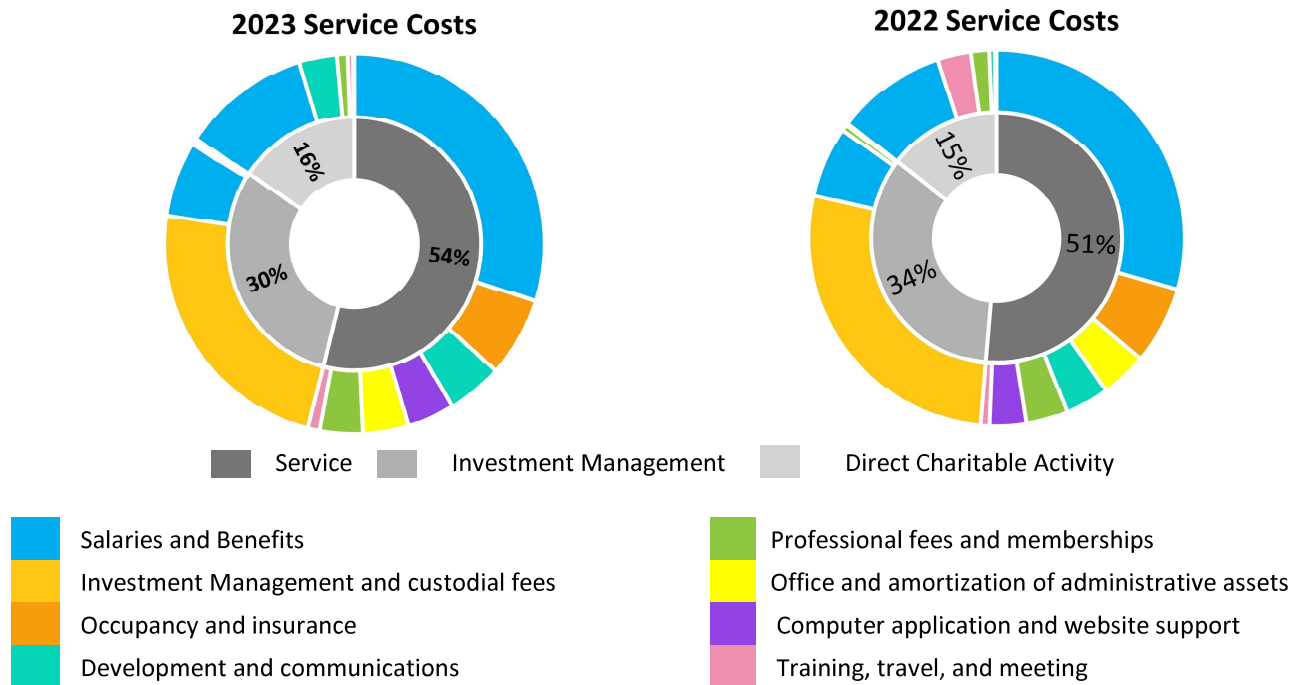
Service costs as a percentage of average asset value has been commonly used by community foundations as a benchmark of efficiency. Service costs are impacted by the projects undertaken to support operations, the asset classes and structure of the investment management program, professional and technical costs directly attributable to gift acceptance, and charitable initiatives in the community.

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

### Service Costs

The service costs are distinguished for management purposes between service costs (e.g. donor engagement, 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). These costs totalled \$11.7 million (\$11.3 million in 2022).

## Organizational Effectiveness



## Capability to deliver results and historical analysis

### Assets

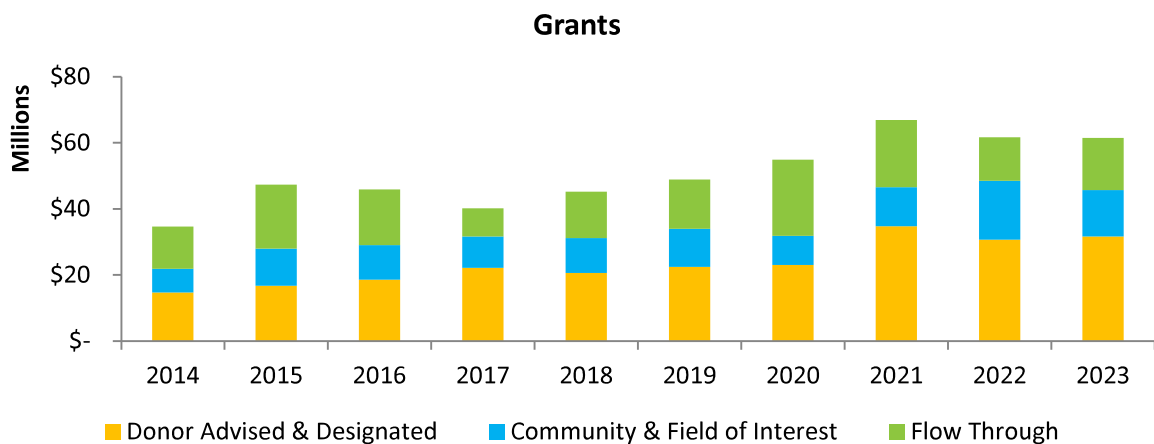
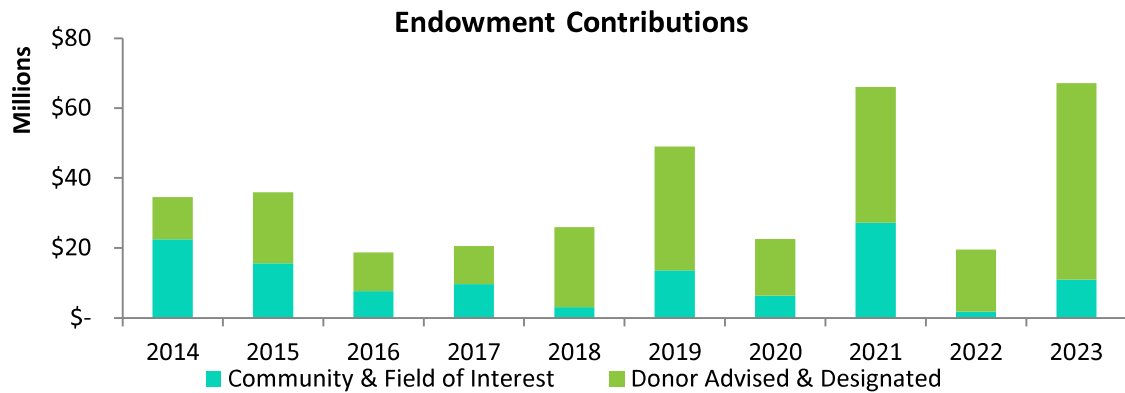
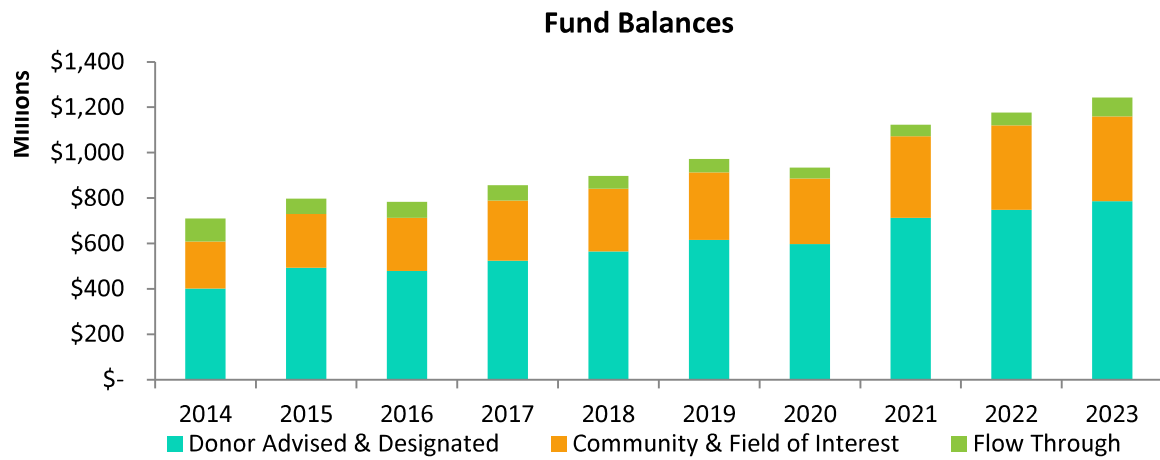
The Foundation's total assets under administration as at March 31, 2023 totalled \$1,323.6 million as compared to \$1,252.6 million at March 31, 2022.

### 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.

Endowment contributions in the year were \$48.0 million more than the prior year. Contributions are variable year-to-year as they are subject to the timing decisions of donors. A \$25.0 million gift of private company shares and a \$13.0 million bequest were a significant part of the increase.

## Organizational Effectiveness



## Organizational Effectiveness

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. A percentage of the market value of the individual endowment funds is recovered by way of a tiered schedule while the costs of administration are recovered from funds administered for others.

Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled \$2.0 million (2022 – \$0.2 million). The growth was driven by the rise in interest rates and the increased balance of flow-through contributions. This interest revenue will be used to augment the funds available for unrestricted granting programs.

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

## Prospective Risks

In the normal course of business, the Foundation follows a structured approach to enterprise risk management, wherein a risk register is established, and risks are evaluated, and periodically re-evaluated, as to their consequence and likelihood. Considering existing mitigating factors such as financial controls, resource allocation to technology, organization-wide attention to strategic planning and governance oversight, two specifically identified risks have been rated as having the highest potential negative impact on the Foundation's long-term ability to carry out its mission:

### Reputational Risk: Brand Management

Media and social media relations are at the centre of reputational crisis management. The Foundation has a strong history of professional, accurate social media communication and has built healthy relationships with key media contacts over the years. The Foundation has a formal crisis communications strategy in place to monitor and assess issues as they relate to the Foundation's reputation. The adoption of a social media governance policy during the fiscal year has bolstered the mitigation strategy.

### Reputational Risk: Partnerships, Relationships and Memberships

In working towards its vision, the Foundation works in relationship with many others. In aligning with an individual, business, or organization whose own values, missions, or actions do not align with the Foundation's role, the Foundation risks being misperceived as an advocate or supporter of those values, missions, or actions. Sound judgment and thorough due diligence will be applied when evaluating new relationships, partnerships, or memberships.



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## INDEPENDENT AUDITOR'S REPORT

To the Directors of the Calgary Foundation

### ***Opinion***

We have audited the consolidated financial statements of the Calgary Foundation (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations and changes in foundation funds for the year then ended
- the consolidated statement cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

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



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises the information other than the financial statements and auditor's report thereon, included in "Management's Discussion and Analysis".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

June 26, 2023  
Calgary, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP

# THE CALGARY FOUNDATION

## Consolidated Statement of Financial Position

As at March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

	2023	2022
<b>Assets (note 3)</b>		
Current assets:		
Cash and cash equivalents	\$ 81,866	\$ 99,355
Prepaid expenses	155	256
Accrued investment income	773	600
Current portion of loans receivable (notes 5 and 11 (c))	1,212	346
	<u>84,006</u>	<u>100,557</u>
Investments (note 4)	1,228,281	1,140,955
Loans receivable (notes 5 and 11 (c))	9,242	8,774
Other assets (note 6)	2,047	2,305
	<u>\$ 1,323,576</u>	<u>\$ 1,252,591</u>
<b>Liabilities and Foundation Funds</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,750	\$ 1,807
Grants payable	7,457	10,868
Deferred flow-through grants (note 7)	83,162	51,912
	<u>92,369</u>	<u>64,587</u>
Non-current grants payable	200	635
Funds administered for others (note 8)	75,791	76,427
Foundation funds:		
Community and Field of Interest funds (note 7)	367,647	362,444
Donor Advised and Designated funds (note 7)	787,569	748,498
	<u>1,155,216</u>	<u>1,110,942</u>
Commitments and contingency (notes 9 and 11 (c))		
	<u>\$ 1,323,576</u>	<u>\$ 1,252,591</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

# THE CALGARY FOUNDATION

## Consolidated Statement of Operations and Changes in Foundation Funds

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2023	Total 2022
Revenue					
Contributions	\$ 10,897	\$ 56,235	\$ 45,382	\$ 112,514	\$ 37,044
Interest and dividends	8,631	19,258	266	28,155	28,702
Flow-through funds interest	1,714	—	314	2,028	240
Realized capital gains (losses), net	7,517	13,602	(29)	21,090	38,695
Unrealized capital (losses) gains, net	(5,678)	(10,372)	2	(16,048)	7,593
Other (note 8)	915	—	—	915	983
Total revenue	23,996	78,723	45,935	148,654	113,257
Expenditures					
Grants	(14,089)	(31,626)	(15,726)	(61,441)	(61,680)
Service costs, net (note 10)	(4,033)	(7,228)	(428)	(11,689)	(11,289)
Total expenditures	(18,122)	(38,854)	(16,154)	(73,130)	(72,969)
Transfers	(671)	(798)	1,469	—	—
(Increase) in deferred flow-through grants	—	—	(31,250)	(31,250)	(1,093)
Change during the year	5,203	39,071	—	44,274	39,195
Balance, beginning of year	362,444	748,498	—	1,110,942	1,071,747
Balance, end of year	\$ 367,647	\$ 787,569	\$ —	\$ 1,155,216	\$ 1,110,942

See accompanying notes to the consolidated financial statements.

# THE CALGARY FOUNDATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

	2023	2022
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	\$ 44,274	\$ 39,195
Change in deferred flow-through grants	31,250	1,093
Change in funds administered for others (note 8)	(636)	(330)
Change in funds	74,888	39,958
Change in non-current grants payable	(435)	580
Items not involving cash:		
Realized capital gain on sale of investments	(22,483)	(41,362)
Unrealized capital loss (gain) on investments	17,330	(8,474)
Contributions of non-cash gifts	(57,546)	(12,598)
Amortization of leasehold improvements and administration assets (note 10)	352	356
	12,106	(21,540)
Changes in non-cash working capital:		
Prepaid expenses	101	42
Accrued investment income	(173)	(38)
Accounts payable and accrued liabilities	(57)	(15)
Grants payable	(3,411)	5,526
	8,566	(16,025)
Investing activities:		
Proceeds of life insurance policy	—	483
Purchase of leasehold improvement and administrative assets	(76)	(74)
Loans receivable	(1,675)	—
Repayment of loans receivable	341	3,060
Proceeds from sale of endowment investments	205,295	173,361
Proceeds from sale of flow-through investments	—	19,400
Purchase of endowment investments	(219,903)	(142,008)
Purchase of flow-through investments	(10,037)	(19,507)
	(26,055)	34,715
Net (decrease) increase in cash and cash equivalents	(17,489)	18,690
Cash and cash equivalents, beginning of year	99,355	80,665
Cash and cash equivalents, end of year	\$ 81,866	\$ 99,355

See accompanying notes to the consolidated financial statements.

# THE CALGARY FOUNDATION

## Notes to the Consolidated Financial Statements

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

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### 1. Calgary Foundation (the “Foundation”)

#### (a) Description of the 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 accordance with 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 by the donor 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 by the donor 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) Funds administered for others

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.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

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## 2. Significant accounting policies

### (a) Principles of consolidation

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

The Foundation is the owner of all of the shares of a for-profit company. The investment in the company is accounted for using the equity method as prescribed by part III of the CPA Handbook.

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 in these financial statements. Instead, the Foundation discloses financial information about these controlled organizations as prescribed by part III of 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. Financial instruments trading on a recognized public stock exchange are recognized at fair value as established by the closing price. 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 alternative investments (real estate, infrastructure, private equity, or private debt), typically structured as limited partnerships, is determined by the external investment manager using accepted industry valuation methods approved by the general partner and reported on the limited partnership's annual audited financial statements in the local currency.

When the date of an alternative investment's audited financial statements does not coincide with the Foundation's fiscal year end, the fair value recorded by the Foundation includes adjustments for the cash flows for the intervening period including capital called, capital returned, income received, gains (losses) realized, and fees and expenses paid. The change in fair value, if any, between the date of the audited financial statements for the alternative investments and the Foundation's fiscal year end is recognized to the extent such changes are known and can be quantified. 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.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

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## 2. Significant accounting policies (continued)

### (b) Financial instruments (continued)

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.

### (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) Leasehold improvements and administrative assets

The Foundation amortizes leasehold improvements and administrative assets as follows:

Administrative assets	3 to 5 years
Leasehold improvements	10 years

### (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.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 2. Significant accounting policies (continued)

### (h) Use of estimates

The preparation of consolidated 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 and leasehold improvement assets. Consequently, actual results may differ from those estimates.

### (i) Contributed services

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

## 3. Assets by fund

	Community & Field of interest	Donor Advised & Designated	Flow-through	Funds Administered for Others	Total
Cash and cash equivalents	\$ 15,829	\$ 29,698	\$ 33,337	\$ 3,002	\$ 81,866
Prepaid expenses	155	—	—	—	155
Accrued investment income	209	287	249	28	773
Current portion of loan receivable	—	—	1,212	—	1,212
Investments, at fair value	358,146	757,999	39,375	72,761	1,228,281
Loan receivable	—	—	9,242	—	9,242
Other assets	1,311	736	—	—	2,047
March 31, 2023	\$ 375,650	\$ 788,720	\$ 83,415	\$ 75,791	\$ 1,323,576
March 31, 2022	\$ 371,734	\$ 748,630	\$ 55,800	\$ 76,427	\$ 1,252,591



# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 4. Investments

The Foundation records its investments at fair value except for the value of a gifted corporation which is accounted for using the equity method and is not fair valued. The following table is a summary of the value of the Foundation's investments by region.

	Canada	United States	International	Total 2023	Total 2022
Bonds and debentures					
Investment grade	\$ 179,309	\$ —	\$ —	\$ 179,309	\$ 171,886
Private debt	914	91,346	39,587	131,847	71,641
Stocks	179,507	153,162	216,321	548,990	575,620
Real estate	51,563	32,657	29,411	113,631	100,823
Infrastructure	1,099	62,691	38,378	102,168	69,043
Private equity	5,534	64,952	55,423	125,909	126,911
Gifted corporation	26,427	—	—	26,427	25,031
	\$ 444,353	\$ 404,808	\$ 379,120	\$1,228,281	\$1,140,955

During 2021, the Foundation accounted for a gift being 100% of the shares of a private, for-profit real estate holding company, as a contribution with an estimated fair value of \$24,778. The Foundation subsequently applies the equity method to recognize the investee's net income or losses after the date of the gift, less any distributions received.

Gifted corporation (unaudited)		
As at and for year ended	March 31, 2023	March 31, 2022
Revenues	\$ 745	\$ 3,103
Expenses	378	2,028
Net Income	367	1,075
Assets	14,255	13,291
Liabilities	3,064	2,467
Shareholder's equity	11,191	10,824

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 5. Loans receivable

The loans receivable relate to the Foundation's Community Impact Investment program ("the program"). The program provides debt financing to Calgary and area charities and not-for-profit organizations. The program augments investments from traditional financial institutions or provides lending to organizations with credit capacity but who are unable to secure financing from a bank or other financial institution. Substantially all the loans to these organizations are secured by real property pledged as collateral.

	2023	2022
National Music Centre. Bears interest at 2.2% per annum with interest only payments annually through to December 2024 and principal plus interest payments to maturity in December 2030.	\$ 5,000	\$ 5,000
HomeSpace Society. Bears Interest at 5.00% per annum with interest only quarterly payments through to maturity in July 2024.	1,300	—
Knox United Church. Bears interest at 3.5% per annum with interest only payments quarterly to April 2023 and principal plus interest payments to maturity in October 2029.	1,000	1,000
Theatre Calgary. Bears interest at 4.0% per annum with monthly payments of principal plus interest through to maturity in September 2027.	715	751
Kahanoff Centre for Charitable Activities. Bears interest at 3.5% per annum until December 2023 increasing thereafter by 0.5% (note 11(c)). There are no specified repayments terms and any amount outstanding as of December 2026 is subject to the renegotiation of terms.	621	621
Youth Singers. Bears interest at 4.25% per annum with quarterly payments of interest only and a balloon payment of principal in December 2023.	600	600
Eleanor Luxton Historical Foundation. Bears interest at 4.5% per annum with quarterly payments of principal and interest through to maturity in September 2030.	395	439
Various loans to other organizations with interest of 3.0% to 7.0% per annum and repayment terms as outlined in the respective loan agreements and maturity dates ranging from June 2024 to December 2032.	823	709
Current portion of loans receivable	(1,212)	(346)
	\$ 9,242	\$ 8,774

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 6. Other assets

	2023	2022
Cash surrender value of donated life insurance policies	\$ 735	\$ 717
Leasehold improvements, net of accumulated amortization of \$2,034 (2022 – \$1,728)	1,213	1,487
Administrative assets, net of accumulated amortization of \$701 (2022 – \$658)	94	96
Miscellaneous	5	5
	<b>\$ 2,047</b>	<b>\$ 2,305</b>

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

	2023			2022	
	Premiums paid	Cash surrender value	Face value	Face value	
Whole life policies	\$ 111	\$ 735	\$ 14,711	\$ 14,837	
Term life policies	13	—	1,100	100	
	<b>\$ 124</b>	<b>\$ 735</b>	<b>\$ 15,811</b>	<b>\$ 14,937</b>	

The cash surrender value of donated life insurance policies is recorded as an asset. The Foundation will record the realizable amount in excess of the cash surrender value when the receipt of the proceeds can be estimated and collection is reasonably assured.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 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.

	2023	2022
Community	\$ 300,678	\$ 293,877
Field of Interest	66,969	68,567
	\$ 367,647	\$ 362,444
Donor Advised	\$ 453,497	\$ 420,721
Designated	334,072	327,777
	\$ 787,569	\$ 748,498
Deferred flow-through	83,162	51,912
	\$ 1,238,378	\$ 1,162,854

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2023 and not granted at fiscal year end, net of investment gains and losses and service costs, if applicable. These amounts are deferred and recorded as a liability until the related grants are designated and paid.

## 8. Funds administered for others

Funds administered for others are the assets owned by 31 (2022 – 31) other charitable organizations. The change in funds administered for others is as follows:

	2023	2022
Increases		
Deposits	\$ 1,844	\$ 2,107
Interest and dividends	1,964	2,127
Realized capital gains, net	1,393	2,667
Unrealized capital gains, net	—	882
Total increases	5,201	7,783
Decreases		
Withdrawals	(3,640)	(7,130)
Service costs	(915)	(983)
Unrealized capital losses, net	(1,282)	—
Total decreases	(5,837)	(8,113)
Change during the year	(636)	(330)
Balance, beginning of year	76,427	76,757
Balance, end of year	\$ 75,791	\$ 76,427

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 9. Commitments

The Calgary Foundation Investment Trust has unfunded investment commitments relating to private debt, real estate, infrastructure, and private equity limited partnerships.

		Currency		
		March 31, 2023		
Asset class	Canadian dollar	US dollar	Euro	
Commitments	\$ 3,800	\$ 182,186	€	32,937
Private debt	3,800	17,971		28,578
Real estate	—	27,703		—
Infrastructure	—	89,225		—
Private equity	—	47,287		4,359

		Currency		
		March 31, 2022		
Asset class	Canadian dollar	US dollar	Euro	
Commitments	\$ 7,181	\$ 214,842	€	10,162
Private debt	4,679	12,334		5,603
Real estate	2,502	38,747		—
Infrastructure	—	103,482		—
Private equity	—	60,279		4,559

At March 31, 2023, the unfunded investment commitments denominated in U.S. dollars is \$182,186 (2022 – \$214,842), translated into Canadian dollars in the amount of \$246,561 (2022 – \$268,349). The unfunded investment commitments denominated in Euros is €32,937 (2022 – €10,162), translated into Canadian dollars in the amount of \$48,430 (2022 – \$14,123). The unfunded amounts may be called by the limited partnerships on demand.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 9. Commitments (continued)

The Foundation has 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:

2024	\$	720
2025		720
2026		300
	\$	1,740

## 10. Service costs

	2023	2022
Salaries and benefits	\$ 5,488	\$ 4,984
Investment management and custodial fees	2,724	3,027
Development and communications	926	797
Occupancy and insurance	767	753
Computer application and website support	469	374
Amortization of leasehold improvements and administrative assets	352	355
Professional fees	340	473
Office	338	229
Memberships	232	254
Premiums to maintain life insurance policies	124	114
Contributions to pay premiums to maintain life insurance policies	(71)	(71)
	\$ 11,689	\$ 11,289

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. A portion of the service costs are recovered from Funds administered for others in accordance with their agreements. Expenses incurred for a specific fund are charged to that fund.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 11. Controlled organizations

### (a) Esther Honens International Piano Competition Foundation

The Foundation is the beneficial owner of all the shares of the Esther Honens International Piano Competition Foundation ("Competition Foundation") which is responsible for a piano competition normally 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 Partner Fund are endowment funds that provide annual revenue to the Competition Foundation. At March 31, 2023, the market value of the four funds totalled \$16,912 (2022 – \$17,419).

Esther Honens International Piano Competition Foundation		
As at and for the year ended	December 31, 2022	December 31, 2021
Revenues	\$ 2,331	\$ 1,737
Revenues from the endowment funds	789	653
Expenses	2,291	1,223
Assets	1,564	1,520
Liabilities	380	377
Unrestricted net assets	584	893

### (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, 2023, the Luxton Historical Foundation Fund had a market value of \$6,161 (2022 - \$6,346).

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 11. Controlled organizations (continued)

### (b) Eleanor Luxton Historical Foundation (continued):

The Luxton Foundation financial statements are subject to a review engagement.

Eleanor Luxton Historical Foundation		
As at and for the year ended	(unaudited) December 31, 2022	December 31, 2021
Revenues	\$ 463	\$ 377
Revenues from the endowment fund	295	240
Expenses	269	229
Assets	2,339	2,378
Liabilities	651	885
Unrestricted net assets	113	(56)

### (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, 2022	December 31, 2021
Revenues	\$ 4,555	\$ 4,396
Expenses	4,883	4,997
Assets	36,331	38,262
Liabilities	33,387	33,295
Unrestricted (deficit)	(5,077)	(4,748)



# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

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## 11. Controlled organizations (continued)

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

The Foundation has guaranteed up to \$37,500 of financing related to the mortgage on the facility. As of March 31, 2023, the Kahanoff Centre has an outstanding mortgage balance with the lender of \$30,837 (2022 – \$32,054).

Additionally, as part of the Foundation's Community Impact Investment program, the Foundation has loaned funds to the Kahanoff Centre (Note 5). The loan has been used for leasehold improvements for tenants and is included in the liabilities presented in the table above.

During the year, the Foundation paid \$690 (2022 – \$686) in lease payments to the Kahanoff Centre (Note 9) which is included in Service costs on the statement of operations.

## 12. Significantly influenced organizations

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, 2023, grants totalling \$25 were approved and paid from Donor Advised and Flow-through funds to the Stampede Foundation (2022 - \$139 from Donor Advised and Flow-through funds).

## 13. Fund-raising expenses and other

The Foundation is required to disclose, under Section 7(2) of the Regulations of the Charitable Fund-raising Act of Alberta, that the service costs incurred for the purposes of soliciting contributions was \$nil, the Foundation has no employees whose principal duties involve fundraising and there was no disposition of contributions that equalled or exceeded 10% of the gross contributions received for the year ended March 31, 2023.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 14. Financial instruments

The Foundation's financial instruments included in the consolidated statement of financial position are comprised of cash and cash equivalents, loans receivable, accounts payable and accrued liabilities, grants payable and investments.

Fair values of financial assets and liabilities

The Foundation classifies its financial instruments at fair value, except for the gifted corporation, which is accounted for using the equity method as described in Note 2 (a), according to the following hierarchy based on the amounts of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy.

- 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).

The carrying values of cash and cash equivalents, loans receivables, accounts payable and accrued liabilities and grants payable approximate their fair value due to the relatively short periods to maturity of the instruments. There have been no transfers between levels during the year.

The fair value of the limited partnerships in private debt, real estate, infrastructure, and private equity is calculated as described in Note 2 (b). The following is a summary of the Foundation's investments using the fair value hierarchy.

Investments as at March 31, 2023				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$ 179,309	\$ –	\$ 179,309
Private debt	–	–	131,847	131,847
Stocks	548,990	–	–	548,990
Real estate	–	–	113,631	113,631
Infrastructure	–	–	102,168	102,168
Private equity	–	–	125,909	125,909
Gifted corporation	–	–	26,427	26,427
	\$ 548,990	\$ 179,309	\$ 499,982	\$ 1,228,281

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 14. Financial instruments (continued)

Investments as at March 31, 2022				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ —	\$ 171,886	\$ —	\$ 171,886
Private debt	—	—	71,641	71,641
Stocks	575,620	—	—	575,620
Real estate	—	—	100,823	100,823
Infrastructure	—	—	69,043	69,043
Private equity	—	—	126,911	126,911
Gifted corporation	—	—	25,031	25,031
	\$ 575,620	\$ 171,886	\$ 393,449	\$ 1,140,955

## 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 segregated investments, pooled funds, and impact investments 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.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 15. Financial risk management (continued)

### (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 publicly traded financial instrument takes into account the credit rating of its issuer. The fair value of a privately held financial instrument may take into account valuation models that include some level of management estimation and judgment. The Foundation's financial instruments of cash equivalents, loans receivable, bonds and debentures and private debt are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The privately held debt is largely comprised of unrated, non-investment grade, senior secured loans. The maximum exposure to credit risk related to these investments is their fair value as presented in the consolidated statement of financial position and note 4. However, in most cases, the likely exposure is far less due to the underlying collateral, covenant protections and other credit enhancements that were underwritten by the external private debt managers. Additionally, the Foundation manages the risk by ensuring compliance with the limits to the credit exposure for the publicly traded pooled funds, engaging a professional investment manager to actively evaluate the creditworthiness of the borrowers of private debt and charging Foundation management with the periodic review of the financial strength and ability to service the loan of impact investment borrowers. Cash is held at financial institutions regulated by the federal Bank Act or Trust and Loan Companies Act. Cash equivalents are substantially all Government of Canada Treasury Bills. As at year end, the Foundation's credit exposures in its publicly traded fixed income portfolios were as follows:

	Percentage of the market value of the publicly traded fixed income portfolios	
	Investment grade bonds	
Credit rating	2023	2022
Bonds and debentures, at fair value	\$ 179,309	\$ 171,886
AAA	47.5%	42.1%
AA	29.9%	33.0%
A	13.1%	13.9%
BBB	9.5%	10.9%
<BBB	-	0.1%

The Foundation's exposure to, and management of, credit risk has not changed materially during the year.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

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## 15. Financial risk management (continued)

### (b) Liquidity risk:

Liquidity risk is the risk the Foundation will not be able to meet its liabilities as they fall due. Liquidity requirements of the Foundation are met through cash generated from investments, donor contributions, and by investing in pools that hold publicly traded liquid assets that transact in active markets and that are easily sold and converted to cash. Private investments in real estate, infrastructure, equity, and debt have limited sale or redemption options. These investments are subject to gates, lockups, and other restrictions on investors' ability to readily sell or redeem their interests in the investment. The majority of the investments are publicly traded liquid assets and therefore the Foundation's liquidity risk is considered marginal. Additionally, 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 investments, 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.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 15. Financial risk management (continued)

(c) Market risk (continued):

(i) Currency risk (continued):

Currency	Percentage of the market value of investments	
	2023	2022
Investments, at fair value	\$ 1,228,281	\$ 1,140,955
Canadian dollar	43.2%	40.9%
US dollar	35.4%	32.7%
Euro	12.0%	14.0%
Japanese yen	1.4%	2.4%
British pound	1.6%	2.3%
Other	6.4%	7.7%

Total unhedged investments held in foreign currencies as at March 31, 2023 were \$697,211 or 56.8% of investments (2022 - \$673,741, 59.1%). The most significant exposure to currency risk is \$434,441 or 35.4% of investments (2022 – \$373,296, 32.7% 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, 2023 would have increased (decreased) net assets and investment income for the year by \$43,444 (2022 – \$37,330). 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 publicly traded bonds had an average duration as follows:

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 15. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued):

	2023	2022
Bonds and debentures, at fair value	\$ 179,309	\$ 171,886
Duration (years)	5.4	6.2
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$ (9,683)	\$ (10,657)
Approximate resulting percentage decrease	(5.4%)	(6.2%)
Assumed decrease in interest rates	−1%	−1%
Approximate resulting increase in value	\$ 9,683	\$ 10,657
Approximate resulting percentage increase	5.4%	6.2%

The Foundation also holds private debt that is made up largely of non-investment grade, senior secured loans that have a shorter duration than the publicly traded debt. The value of these loans is not as impacted by changes to interest rates because of floating coupon rates that vary in line with the underlying reference rate. Loans may also include call protection and pre-payment penalties which reduce repayment risk by preventing borrowers from retiring loans within a few years of issuance. Furthermore, floating coupon rate loans normally have contracted lower limits on the reference rate, offering some protection when interest rates decline.

(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 investments. 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 various asset classes. The diversification across various asset classes is expected to decrease the volatility of portfolio returns due to the lack of correlation between returns. The assumed increase in market prices is based on the Foundation's expectations for long-term nominal rates of return.

# THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2023, with comparative figures for 2022  
(thousands of dollars)

## 15. Financial risk management (continued)

(c) Market risk (continued):

(iii) Equity price risk (continued):

	2023
Stocks, at fair value	\$ 548,990
Assumed increase in market prices	+7%
Approximate resulting increase in value	\$ 38,429
Assumed decrease in market prices	-7%
Approximate resulting decrease in value	\$ (38,429)
	2022
Stocks, at fair value	\$ 575,620
Assumed increase in market prices	+7%
Approximate resulting increase in value	\$ 40,293
Assumed decrease in market prices	-7%
Approximate resulting decrease in value	\$ (40,293)

The Foundation holds private equity, real estate, and infrastructure investments that are externally managed. By their nature, these investments can be exposed to equity price risk. Private equity investments involve the buying and selling of privately held companies. While the valuation of these investments is typically not susceptible to daily market fluctuations, there can still be equity price risk when exiting the investments through an initial public offering or a sale to another investor. Direct real estate and infrastructure investments can be exposed to equity price risk, which refers to the potential for the value of the property to fluctuate due to changes in the overall equity market. The Foundation manages equity price risks by conducting thorough due diligence in the selection of our external managers and incorporating diversification strategies that mitigate exposure to any single investment, sector, or geography.

## 16. Government remittances

The Foundation has no significant outstanding government remittances as at March 31, 2023 (2022 – \$nil).