

The Calgary Foundation

Annual Financial Report

6/21/2018

Year Ended March 31

2018

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Management Discussion and Analysis

For the year ended March 31, 2018

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, 2018, compared to preceding years. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 21, 2018. All amounts are based on financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations except 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 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 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's vision is to build a healthy and vibrant community where everyone belongs.

The Foundation's mission is to inspire philanthropy, support the charitable sector and build a permanent endowment to address the current and future needs of people in our community.

STRATEGY AND KEY RESULT AREAS

Leadership in community building

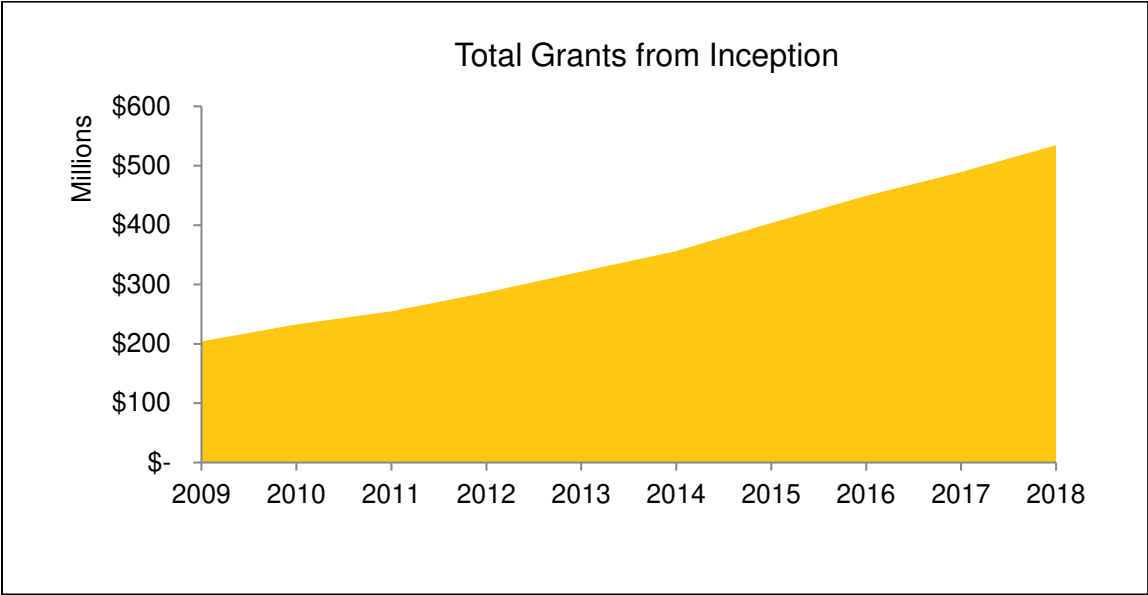
Desired Impact: Charitable sector is strengthened and citizens are engaged through the Foundation's grants and community initiatives.

Strengthening Charities

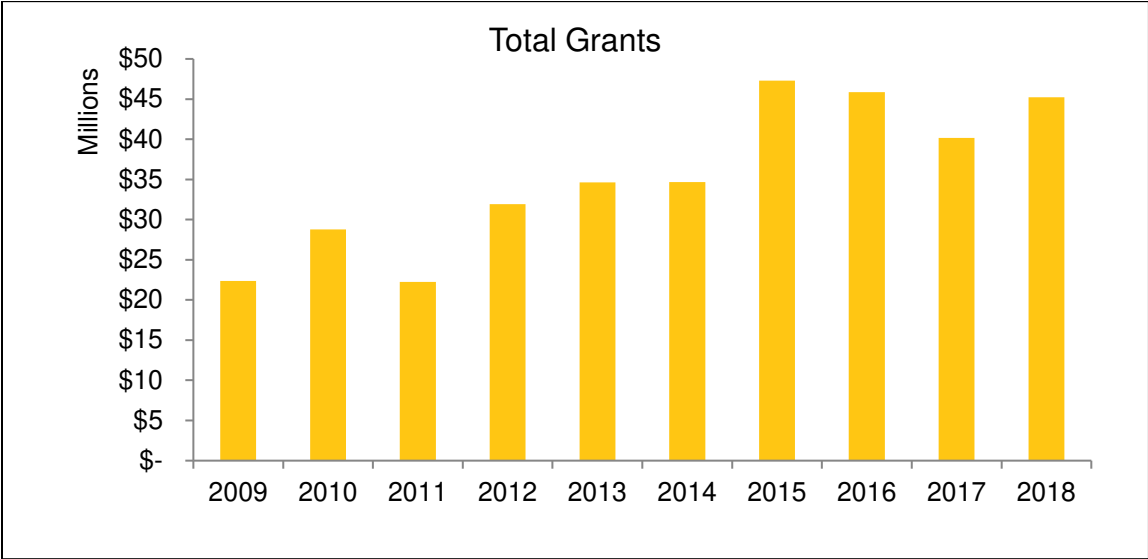
Grants

The Foundation provides grants to qualified donees (essentially other registered charities) to support all parts of the charitable community. Grants and awards engage citizens in building their communities and strengthening charitable organizations now and into the future. Grants from endowed funds are a percentage of the market value of the fund at fiscal year end. As the market value of endowed funds and the number of endowed funds grow, the number and dollar amount of grants will grow. The number and timing of grants from non-endowed funds also affect the total number and dollar amount of grants.

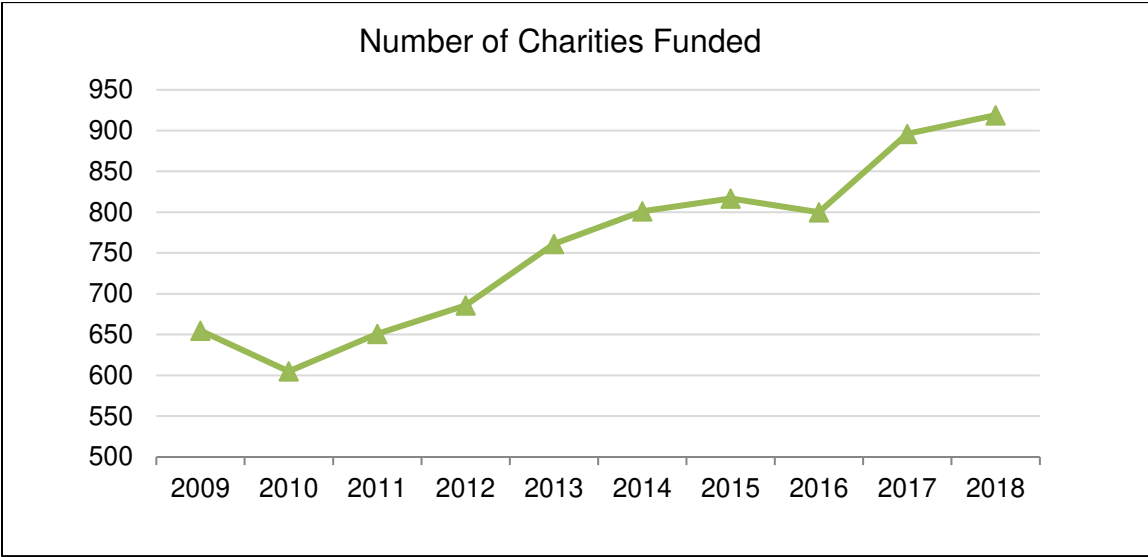
Foundation funds are flexible and adaptive to emerging community needs; responding to a need that may not have existed when the fund was created. Strengthening relationships with Indigenous people (a direct response to the 94 Calls to Action that arose out of the Truth and Reconciliation Commission Report) is an example of a need not identified just 5 years ago.



The total dollar value of grants from the Foundation from inception in April 1955 to the end of March 2018 is approximately \$534.7 million (2017 – \$489.5 million). Approximately two-thirds of that amount (\$353.2 million, 2017 – \$340.7 million) has been distributed to registered charities and like organizations in the last ten years.



As with the general trend in the dollar amount of grants distributed, the number of charitable organizations who have received grants each year from the Foundation has trended upwards. This growth is a function of both the growth in the number of Calgary-based charities who are aware of the funding available from the Foundation as well the growth in the number of funds established at the Foundation for various charitable purposes.



Capacity-Building

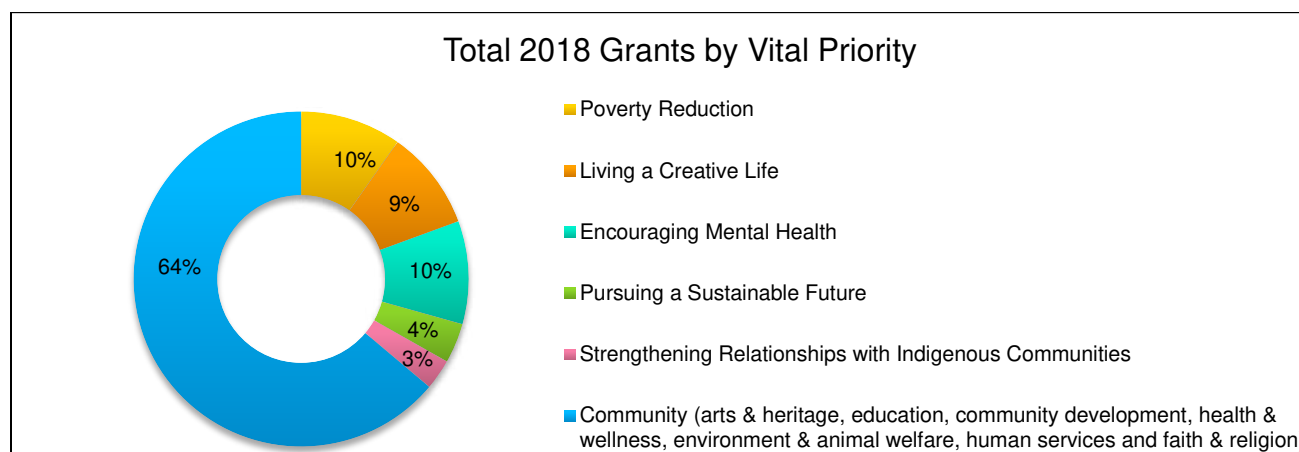
The Foundation provides support to qualified donees beyond grantmaking. The Foundation financially supports capacity-building workshops through other appropriate charitable organizations whose mission includes facilitating learning that focuses on strengthening capacity. Examples include Fund Development, Human Resources issues, Risk Management, Board Recruitment and Board Relations. By creating cohorts to encourage collaborative learning, the Foundation is able to use its resources more efficiently than by providing individual grants to charities to pursue this work. By supporting learning delivered by other appropriate charitable organizations the Foundation also builds the capacity of these organizations. Since 2013, the Foundation has invested \$260,000 (2017 – \$180,000) into capacity-building initiatives. Had participating charities been awarded individual grants to perform the same work, the cost would have been approximately \$1.1 million (2017 – \$850,000).

Vital Priorities

In 2015, in a process that engaged community partners and stakeholders, the Foundation identified five Vital Priorities on which to place additional leadership and support for the next ten years. 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 Relations with Indigenous Populations

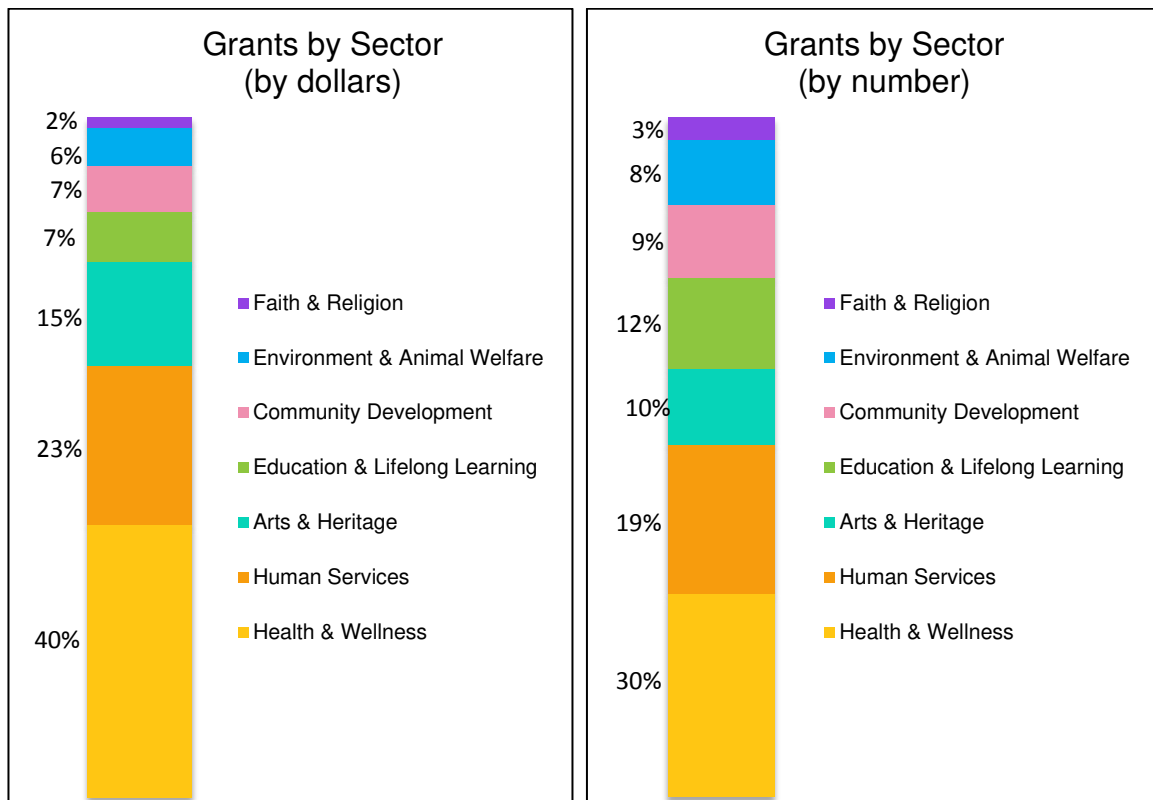
This year, the Foundation provided 558 grants (2017 – 593 grants) worth \$16.4 million (2017 - \$17.6 million) to specific initiatives that support the five Vital Priority areas. Poverty Reduction attracted the most financial support followed by Encouraging Mental Health. Additional financial support for the other three Vital Priorities will increase as the Foundation supports the emergence of similar, collaborative strategies.

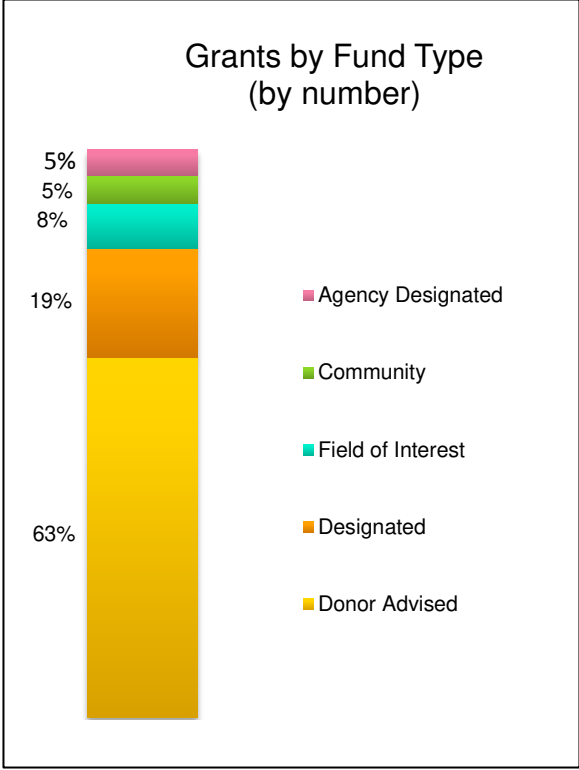
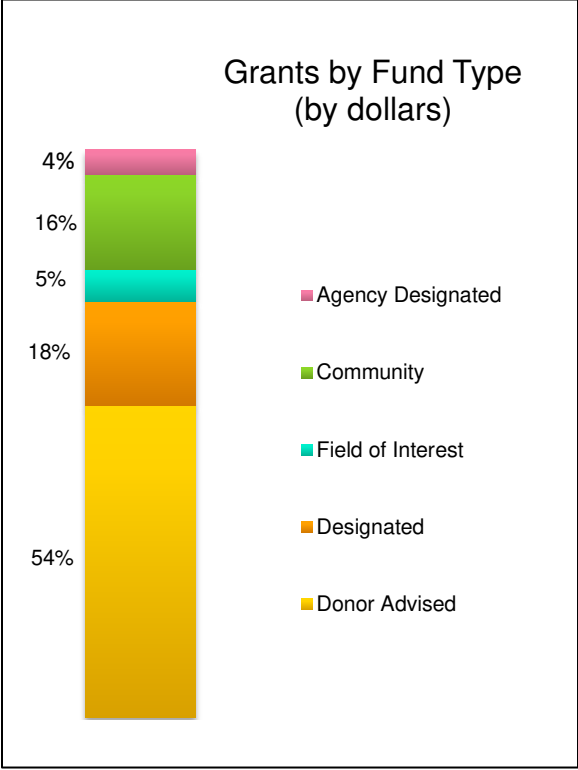
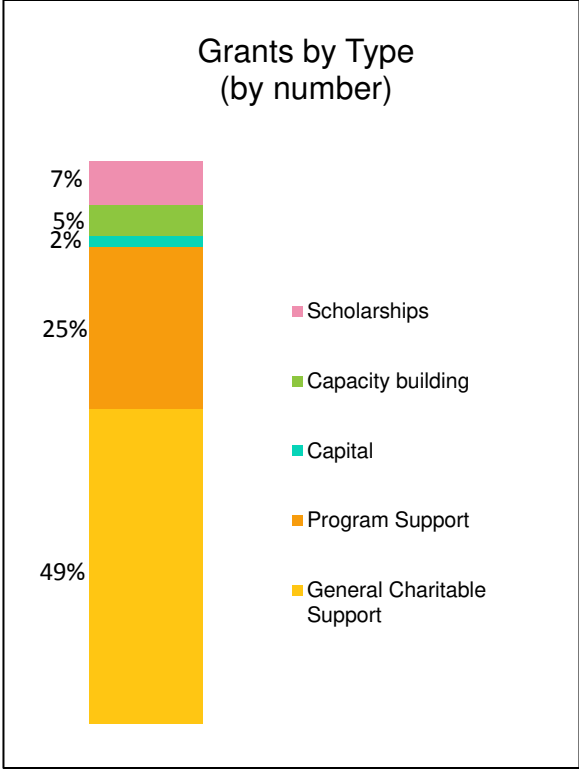
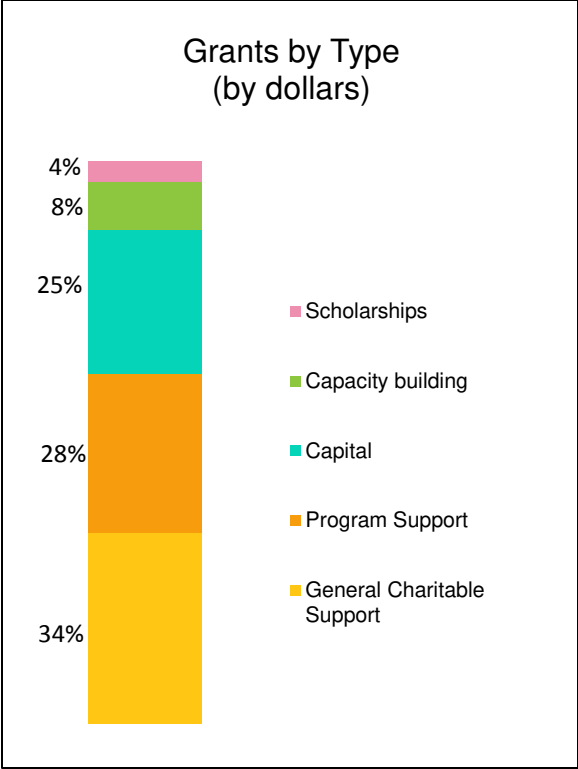


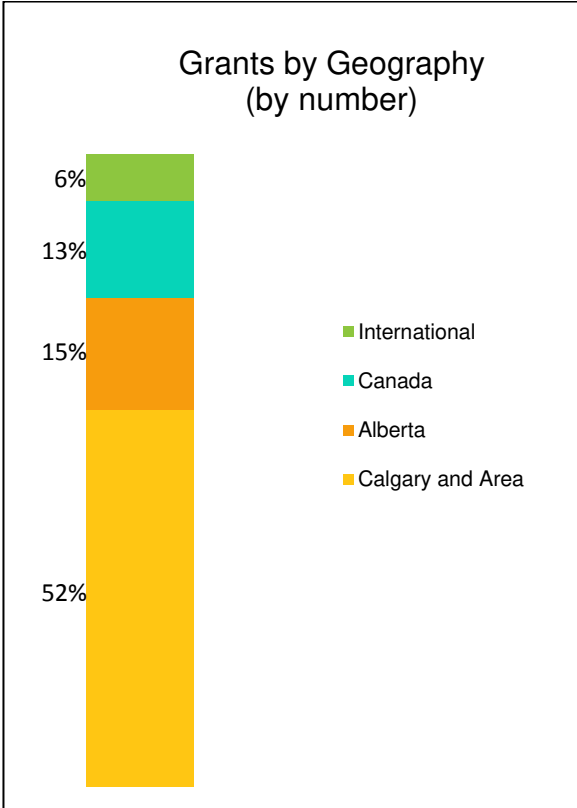
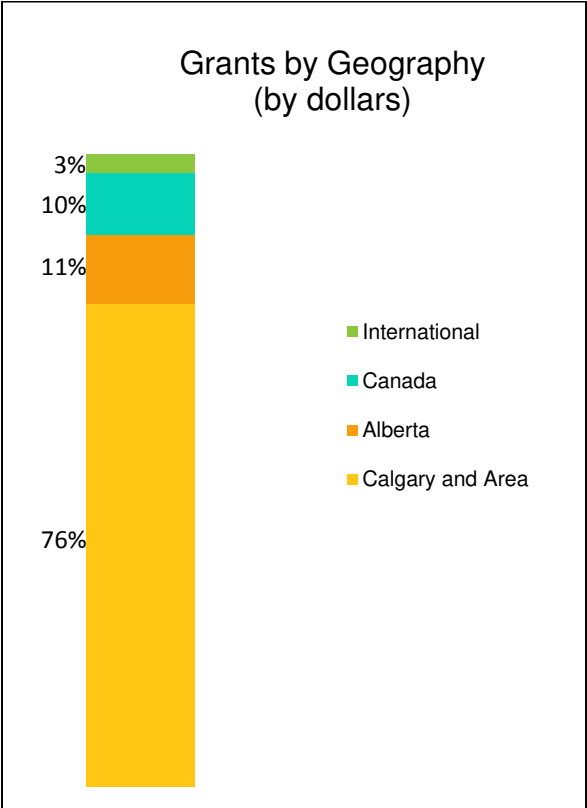
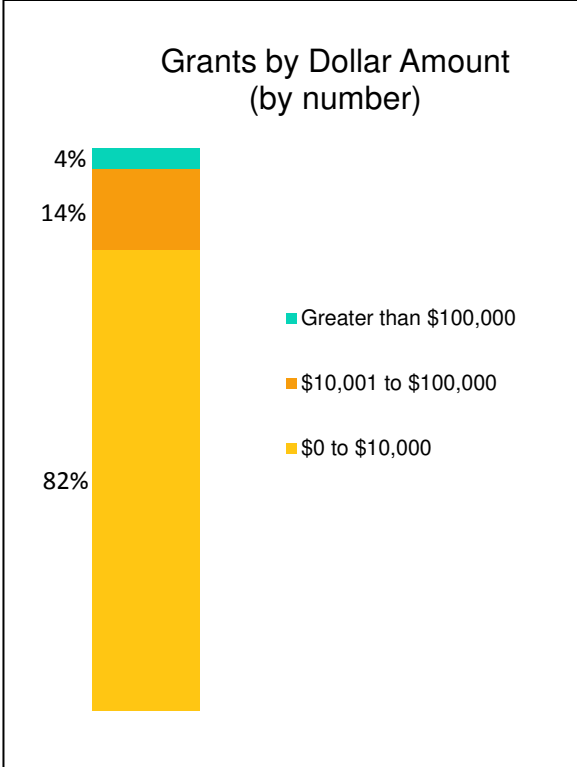
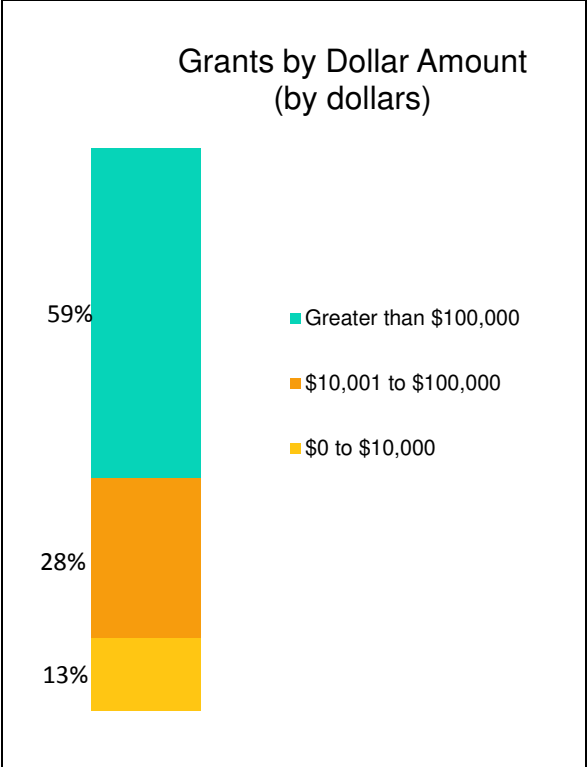
Impact

In order to grant strategically, for the most impact, it is necessary to study each of the priority areas to learn how to best support the work that needs to be done. In 2017, the Foundation completed its second evaluation report that examined its efforts in Pursuing a Sustainable Future. To measure complex outcomes, defined as behavioural changes that include actions, relationships, policies, and practices, this report utilized an evaluation process known as outcome harvesting. Rather than measuring progress towards predetermined objectives, this innovative approach collects evidence of what works, what has changed, what is in the way and what is ahead. The findings of the evaluation showed that the Foundation must continue to provide flexible grantmaking that addresses current and emerging needs in the sector and moves us towards the vision of a healthy environment that provides life and prosperity for all in Calgary and area communities.

The following five sets of charts offer insight into the total amount granted across all sectors in fiscal 2018:

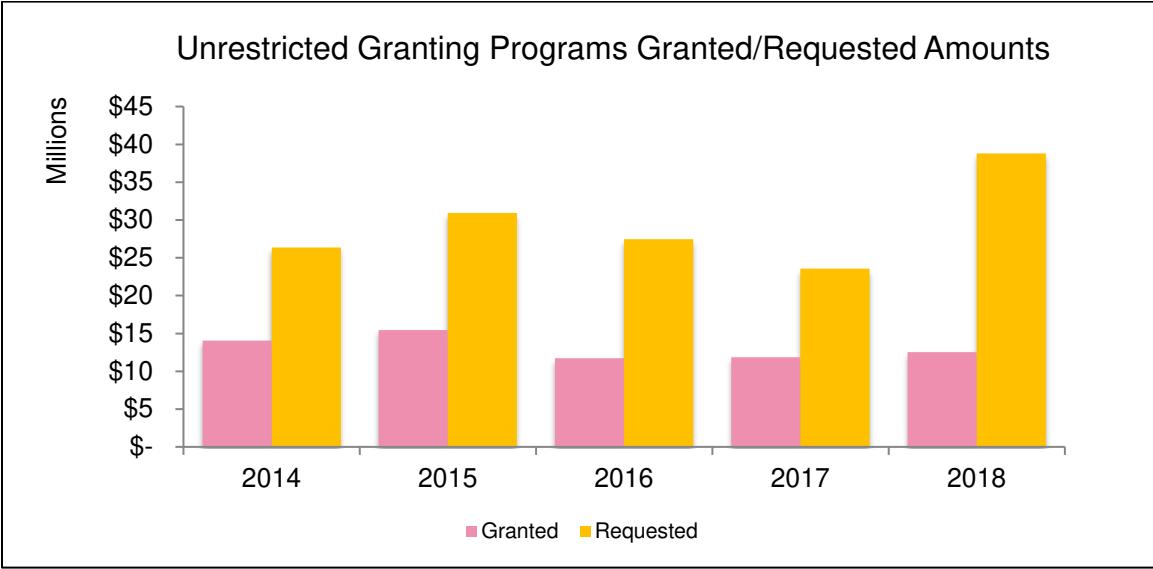


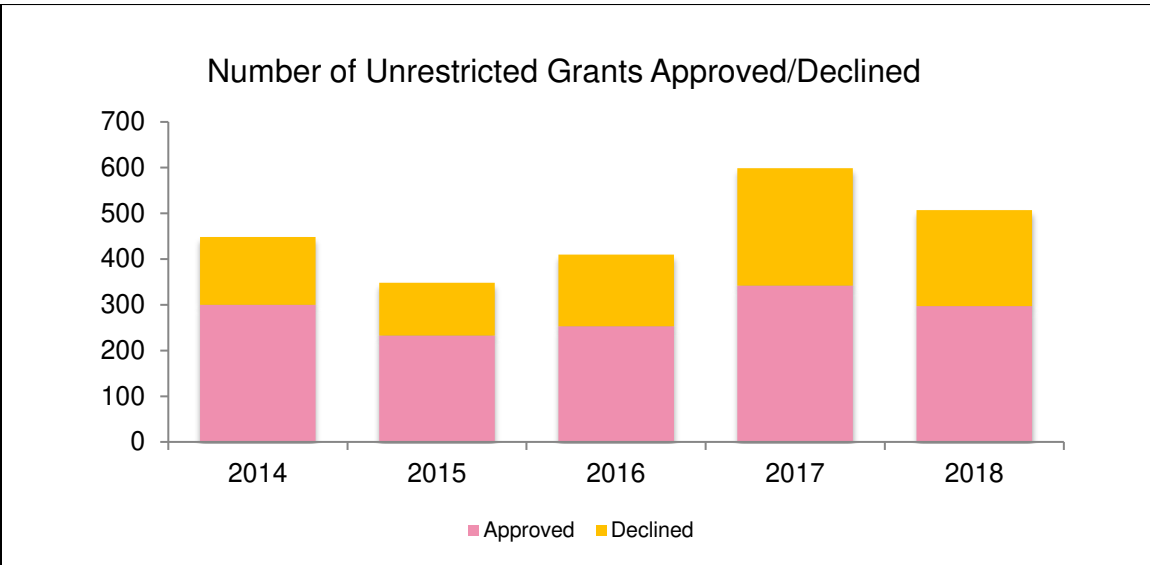




Unrestricted granting programs are funded by the Community and Field of Interest funds. These funds are generally endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. These granting programs are application based and encompass 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
- Unique Opportunity Grants, small grants to support organizations to take advantage of time-sensitive 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 single or multi-year support for 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.





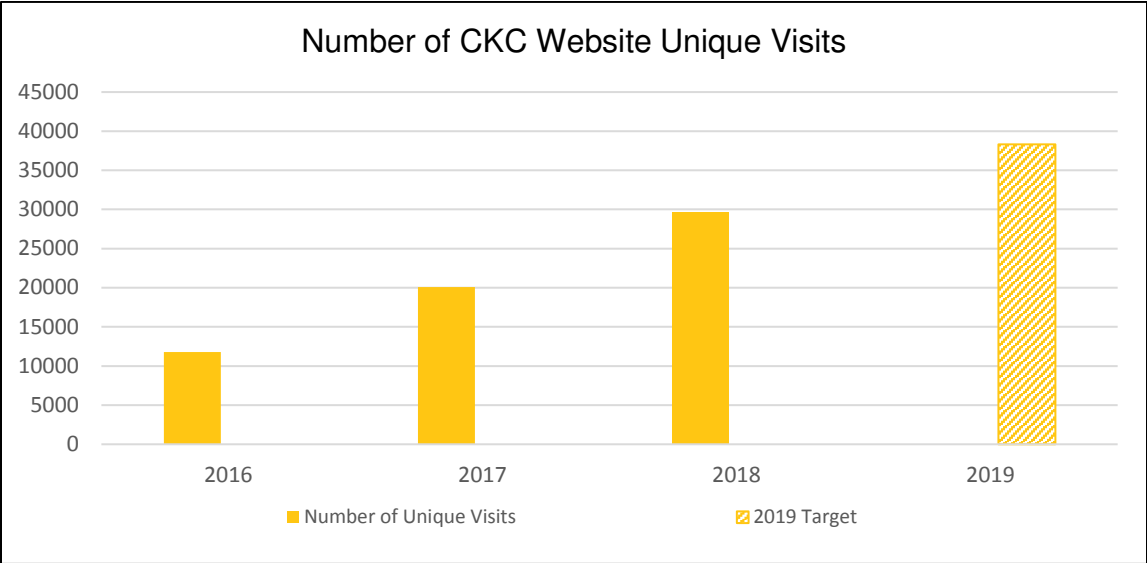
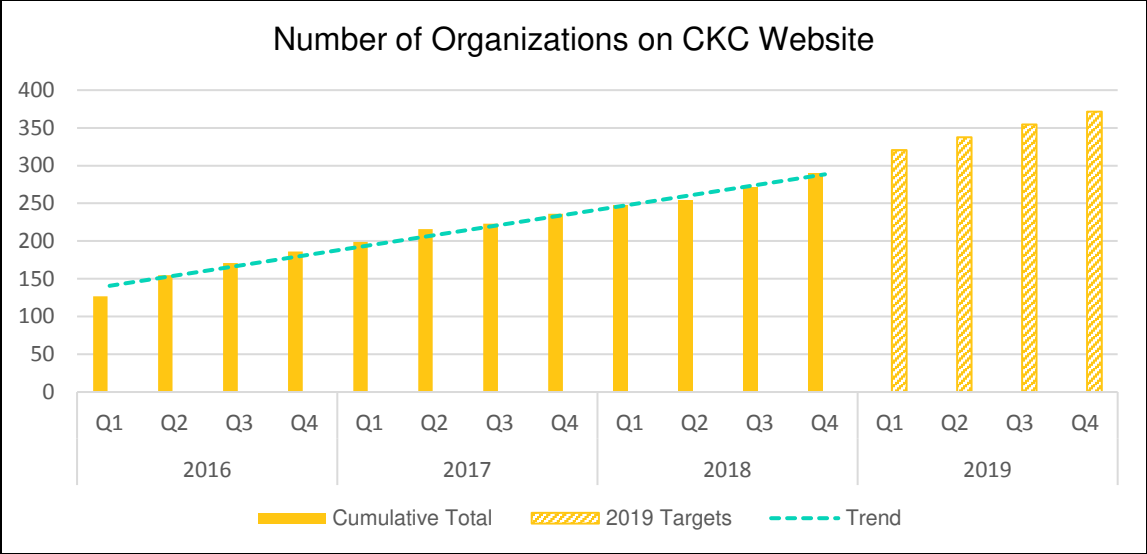
Engaging Citizens

The Foundation’s vision is that all citizens be engaged in community building. 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. Whether through our Grassroots Granting Programs or Foundation-supported Jane’s Walks, last year approximately 6,000 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 brings to life the work of registered charities 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, 2018 CKC membership had grown to showcase 292 charitable organizations, a 25% growth from the previous fiscal year end. In the coming years, additional resources will be allocated toward marketing campaigns, in order to increase awareness of CKC by the broader public.



Calgary’s Vital Signs®

The report, published annually since 2007, features expert research combined with the results of a citizen survey, wherein Calgarians speak to areas critical to quality of life. Citizen engagement plays a key role in the Vital Signs process and over 2,500 Calgarians took the Vital Signs survey in 2017.

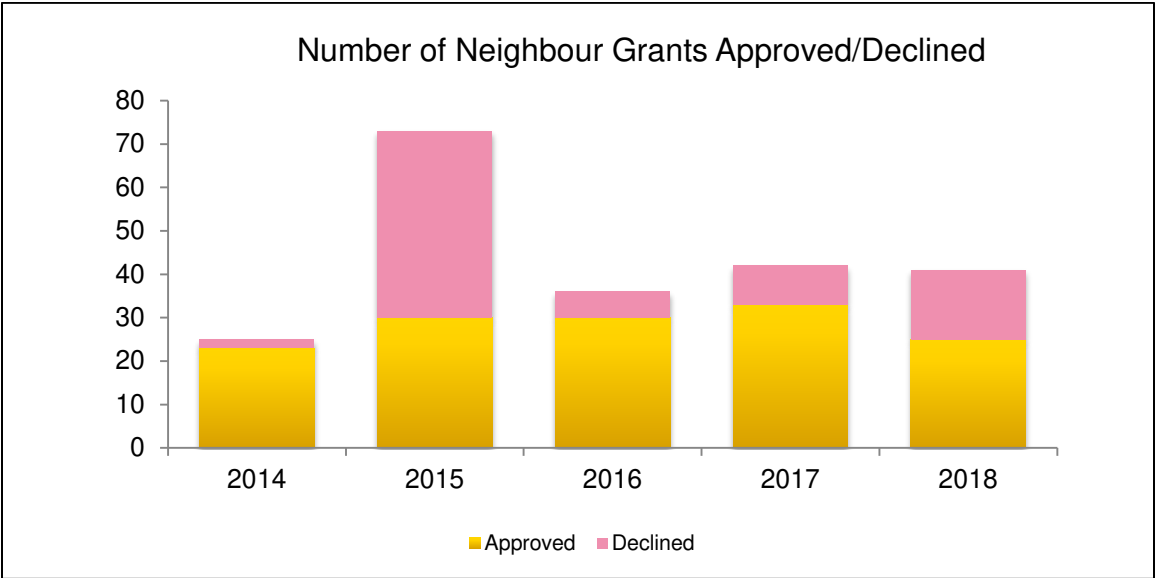
As a nationally coordinated initiative of Community Foundations of Canada, the Foundation was one of 30 community foundations across Canada publishing a Vital Signs report in 2017. This year’s Calgary Vital Signs report shifted focus to align with the Foundation’s five Vital Priority areas. To strengthen the statistical validity of the results, a representative panel

survey was conducted, in addition to the citizen survey. This allowed responses to be positioned from an individual’s perspective, as well as societal.

The Foundation also implemented a Vital Signs micro-website this year, which allowed us to share the results of the survey on a much broader scale. This site was well received with over 6,500 unique page views since launching in October 2017.

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 Calgary’s quality of life, as well as understanding the reasons people live in Calgary. Starting 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.



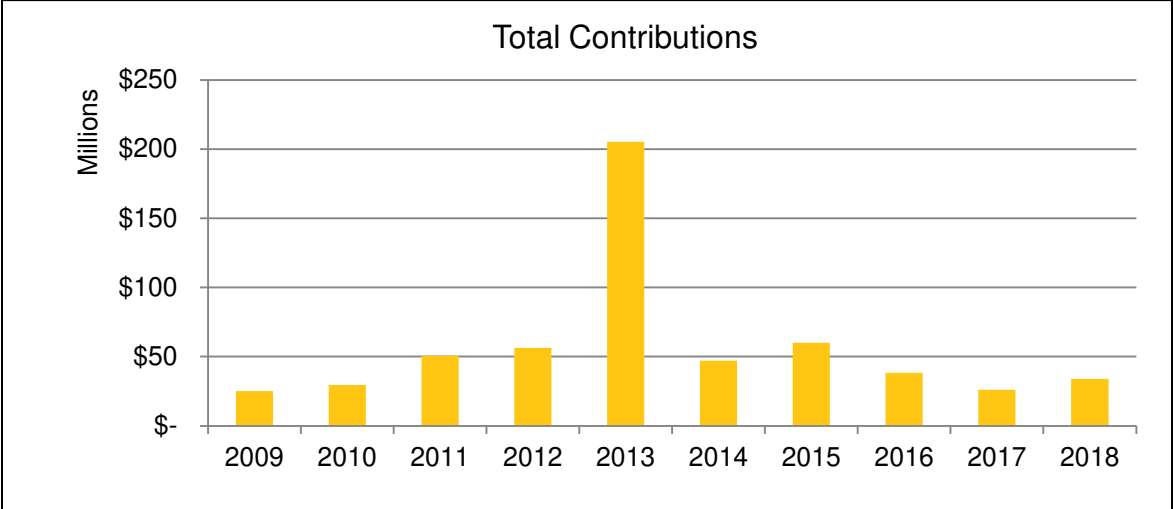
Donor Engagement

Desired Impact: Inform, inspire and educate existing and potential donors, donor families, professional advisors and charitable partners to experience the unique value CF brings to enabling philanthropy.

The Foundation is committed to serving and engaging past, present and potential 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. We have expanded our services, scaled our resources, developed self-

help and moderated tools and processes and implemented a consistent, deliberate approach to donor engagement thereby fostering a ‘values transfer’ culture. This dedicated approach has enabled the Foundation to be an inclusive philanthropic partner of choice for bringing together families and generating discussions about the impact they wish to make with their philanthropy.

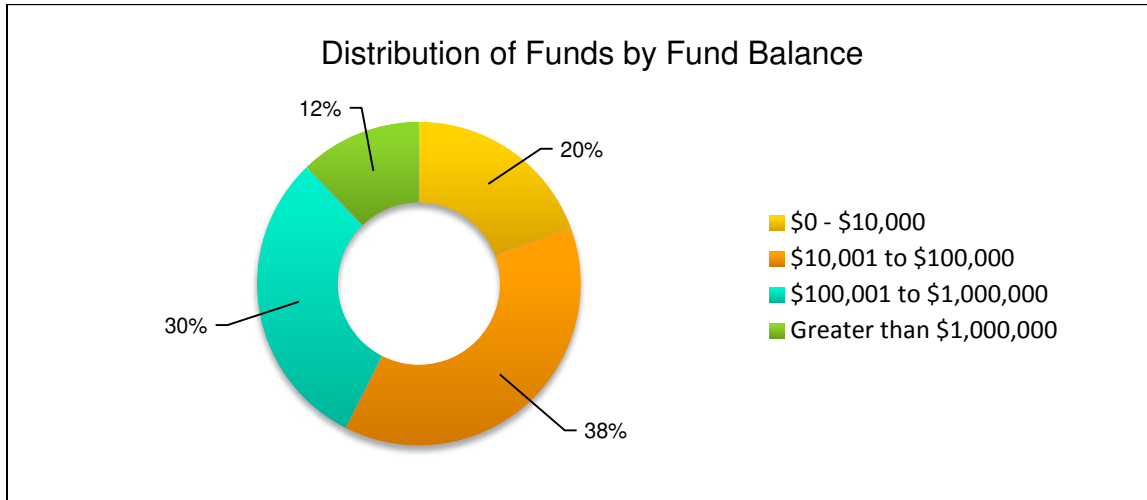
An organization-wide donor survey, originally undertaken in Q4, 2014, was repeated in Q4, 2018 to determine satisfaction with the Foundation’s services in donor engagement, stewardship of family legacies, effectiveness of communications and advances with community leadership. Compared to the Foundation’s 2014 report, donor ratings in the most recent report trended higher for most measures, including donors’ overall satisfaction with the Foundation, clarity of communication of the Foundation’s goals, and the responsiveness of Foundation staff. Relative to other measures in the report, the Foundation was rated more positively for its impact on and leadership in the Calgary area, with 80 percent of donors (a typical proportion) indicating satisfaction with the Foundation’s leadership. Overall, donors rated the Foundation’s resources used to achieve their charitable goals as more helpful compared to donors in 2014.



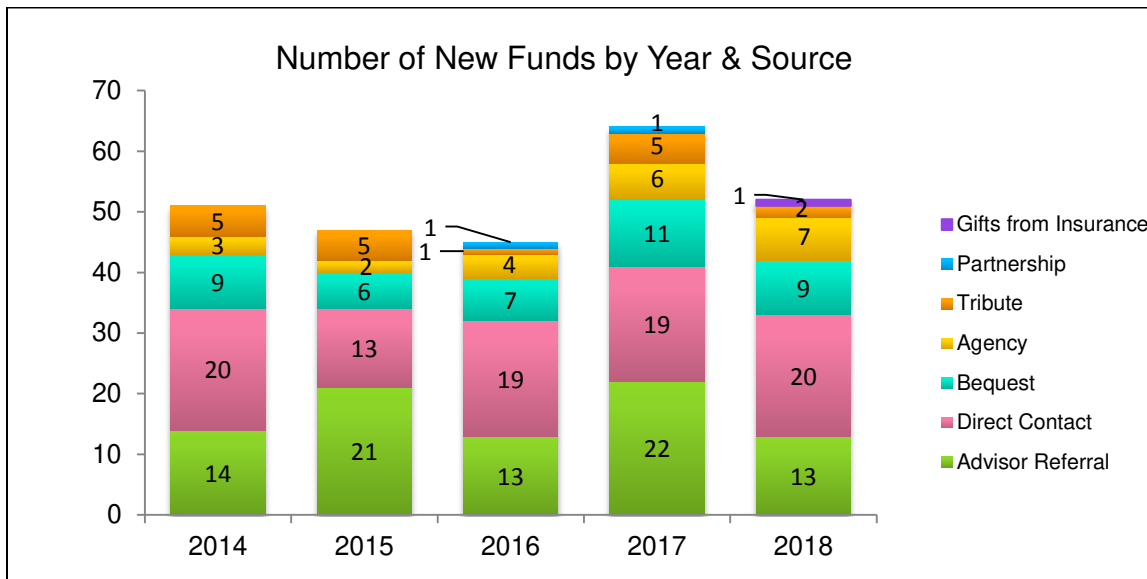
The Foundation welcomes gifts of any size knowing that each gift – the impact multiplied when endowed – has the ability to further the mission. Although individual funds are established with a minimum of \$10,000 (or a commitment to reach \$10,000 in the near-term) in order to maximize the impact of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

Fifty eight percent (2017 – 49%) of all individual funds at March 31, 2018 had balances below \$100,000 and thirty four percent (2017 – 45%) of that number represent funds established with less than \$10,000. These figures understate the number of funds established with less

than \$10,000 due to investment growth through the many years of the Foundation's existence.



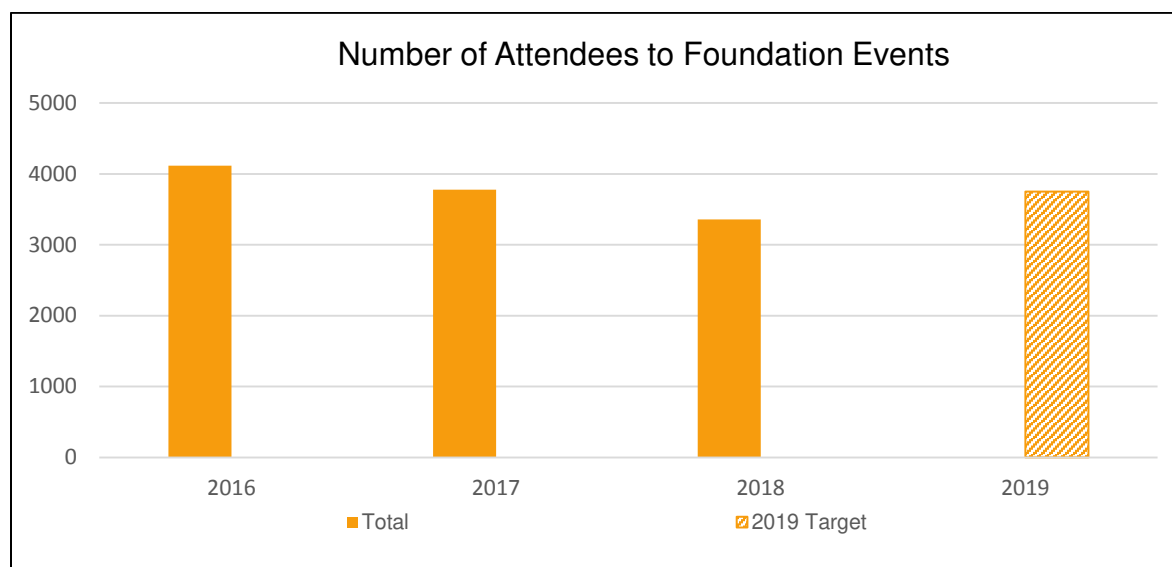
The Foundation works with existing and potential donors to create funds in many and varied ways that best suit each individual or organization. The number of new funds established each year, both living and testamentary, has varied within a relatively narrow range over the past five years. Direct contact with donors and referrals by professional advisors have been the primary sources of individual funds.



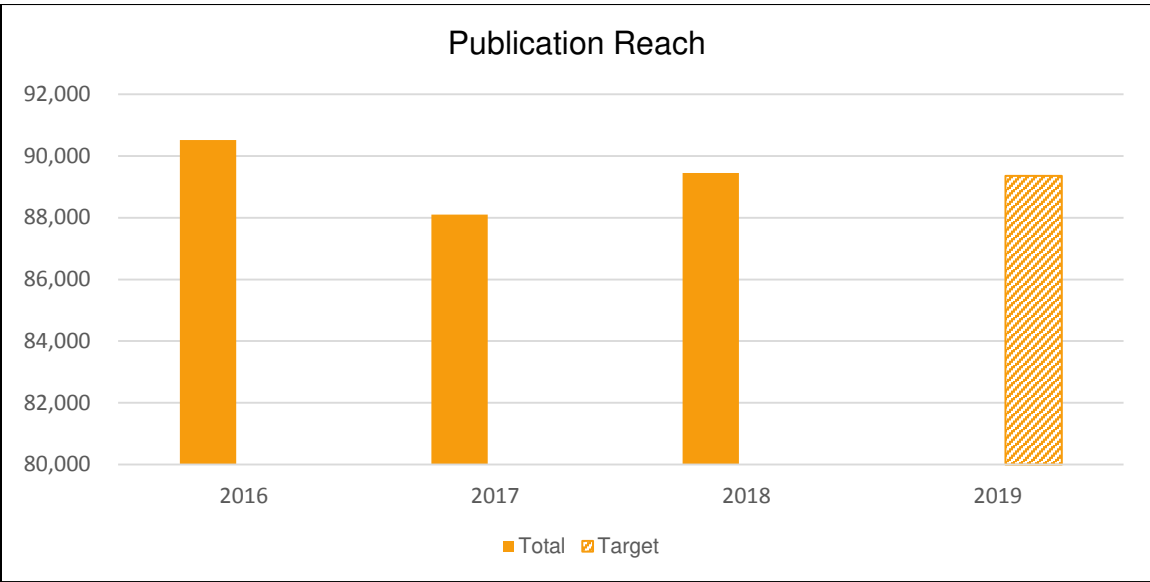
Public Confidence and Reputation

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

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. Typically, three events are hosted in a year. The annual Vital City event celebrates philanthropy and provides a Foundation year-in-review to an audience of over 600 citizens. Neighbour Grants Live: Pitch Night celebrates citizen led projects that encourage neighbourliness. One of the Foundation's largest initiatives is the annual Jane's Walk weekend. Jane's Walk 2017 had the greatest turnout to date which saw 84 volunteer-led walks, attended by a crowd of over 2,400 walkers – showing significant growth from just six walks and 100 walkers on its inception weekend in 2008.

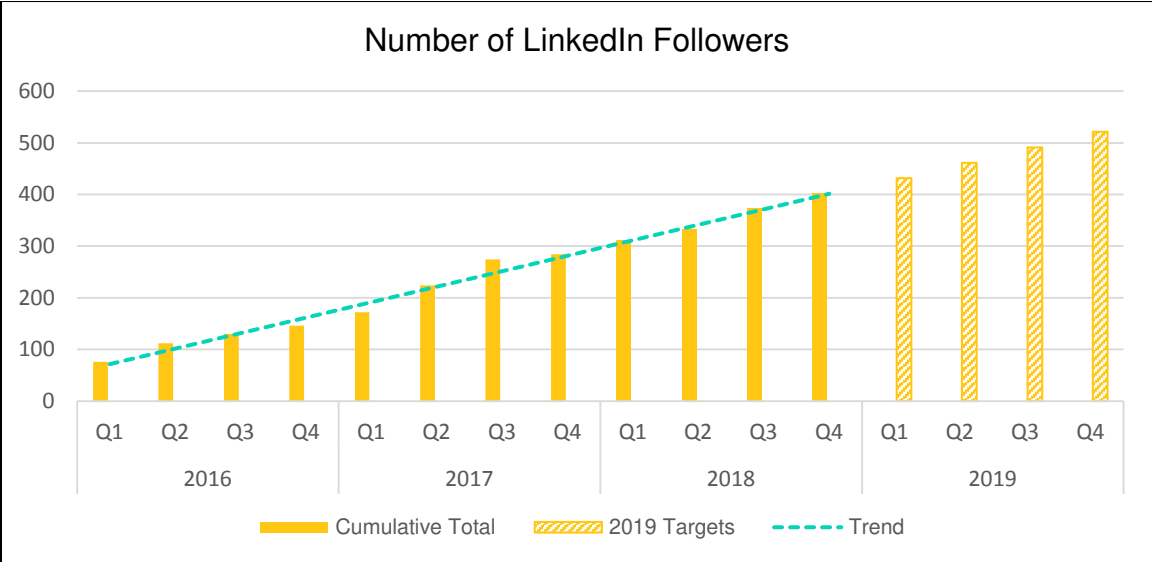
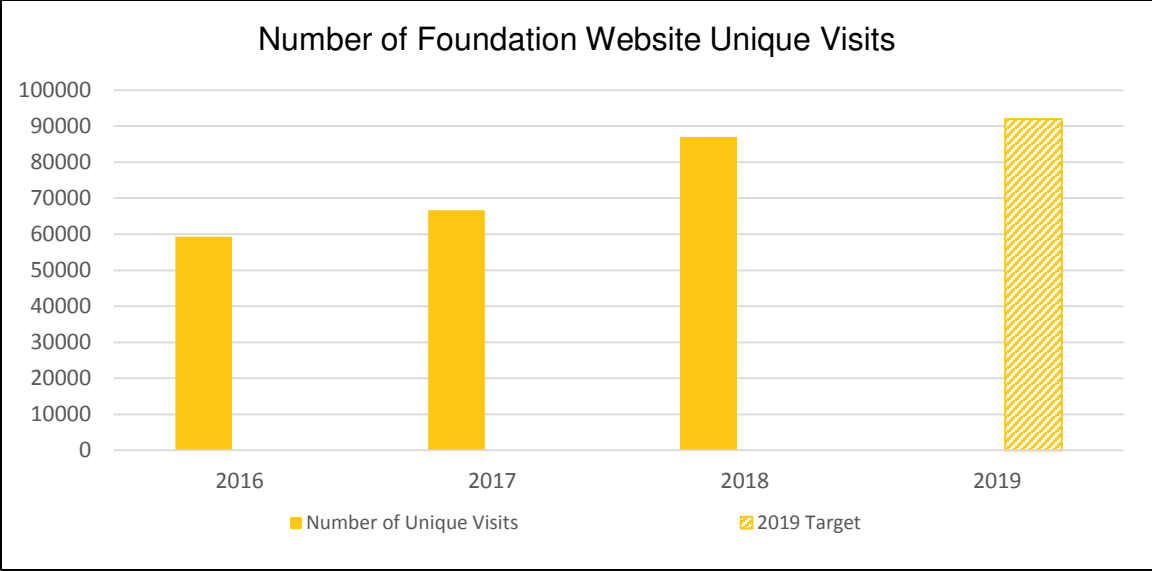


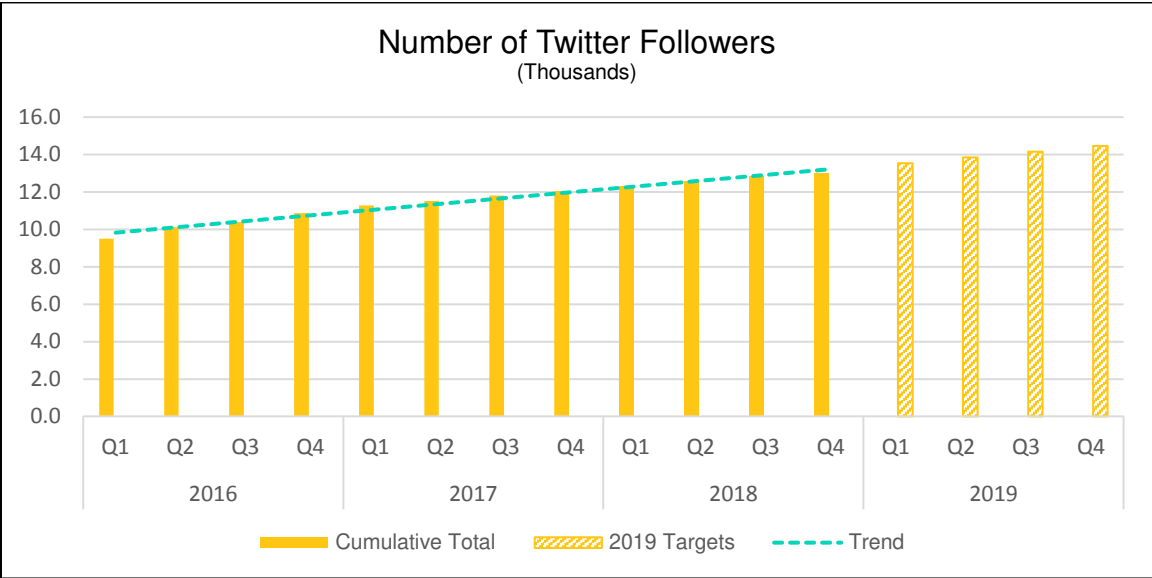
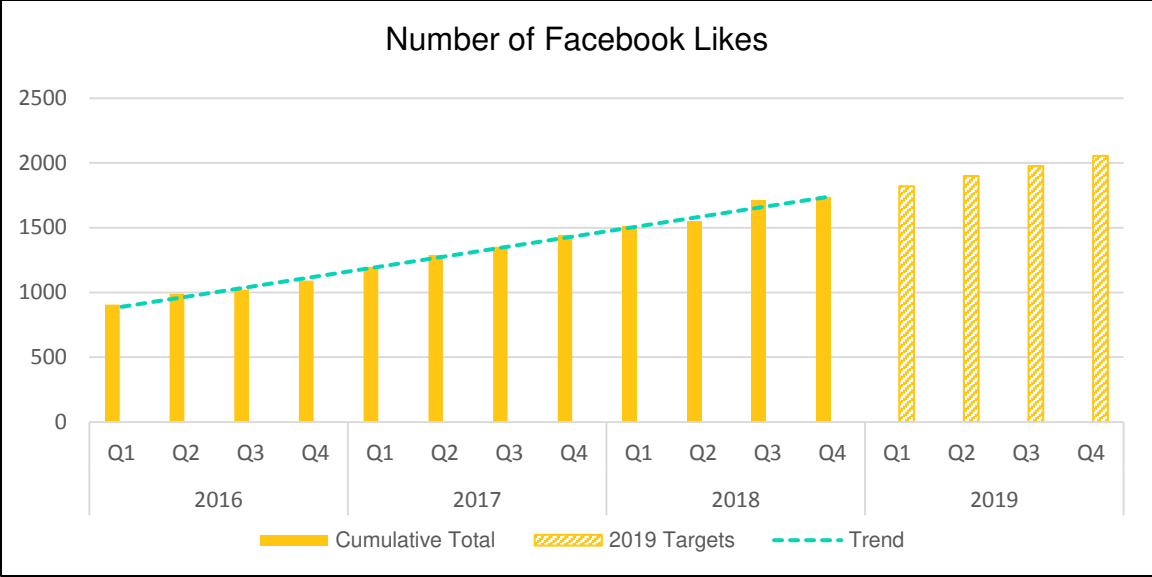
The Foundation's external print publications include the Annual Report, SPUR magazine, Vital Signs report and professional advisors newsletter, among others. The goal of all external publications is to grow the profile of the Foundation through compelling reporting. By sharing relevant research on timely 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.



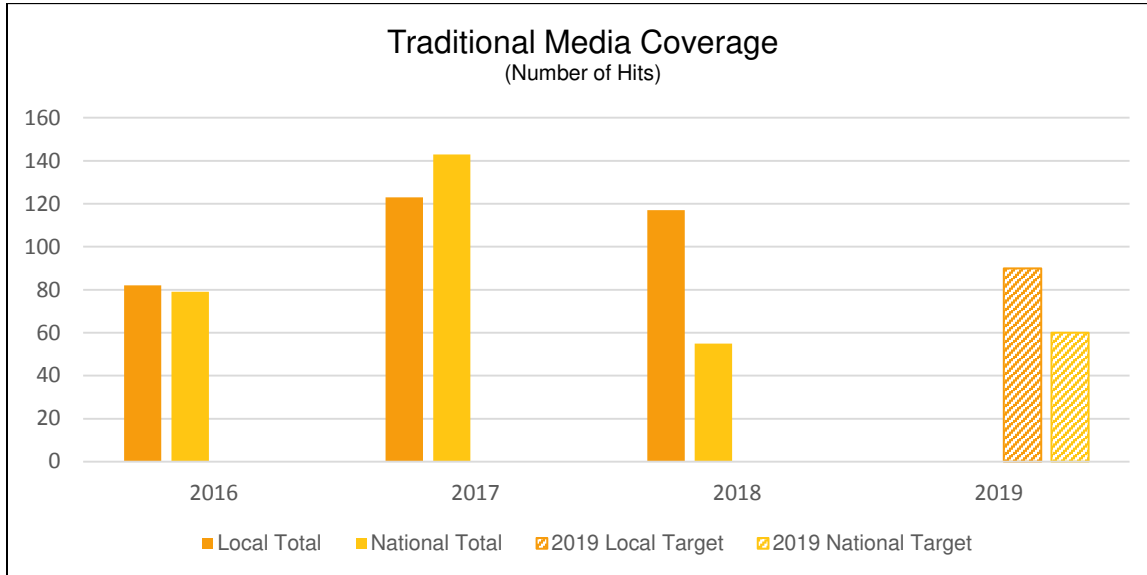
Social media platforms (Twitter, Facebook and LinkedIn) are used for promotion and marketing of Foundation events, initiatives and publications, and are also tools to amplify the work of the charitable sector and broader community. The Foundation is always refining and customizing channels and content to meet the needs of the Foundation and the organizations we support. The Foundation posts on a daily basis 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. In 2017, a new website was launched, along with a complementary redesign to the CKC website. The new site boasts an impact map that highlights community grants and features stories of donors and various community projects supported by the Foundation. There is also a new online portal for grants applications, refining the process significantly.



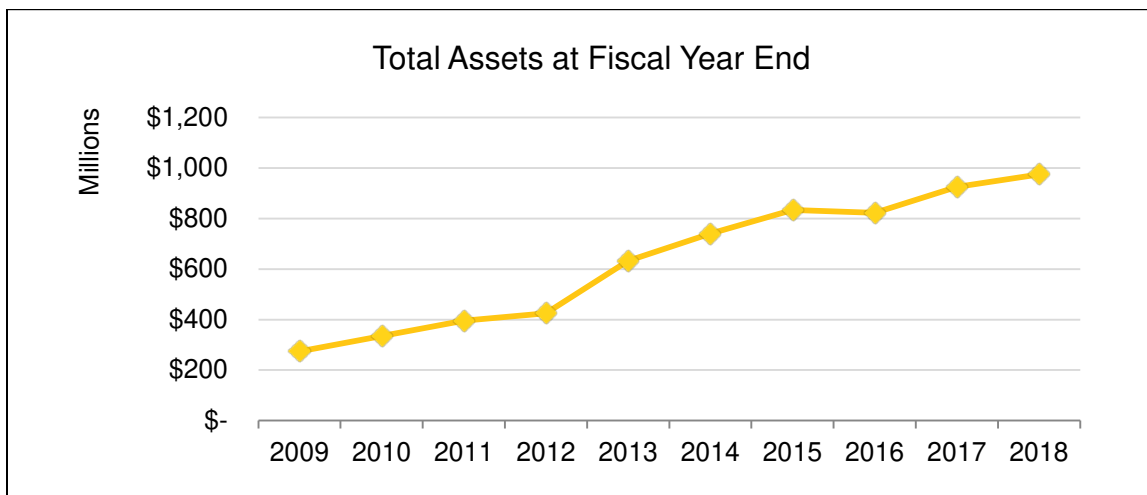


The Foundation’s solid 60+ year reputation has resulted in long-standing partnerships with media. Regardless of the changing media landscape, the Foundation continues to build on strong media relationships, resulting in solid media coverage in 2017. Large initiatives like Vital Signs and Jane’s Walk typically see the biggest coverage, but ongoing coverage comes from news, radio and television outlets, as well as online reporting.



Financial Asset

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



Investments

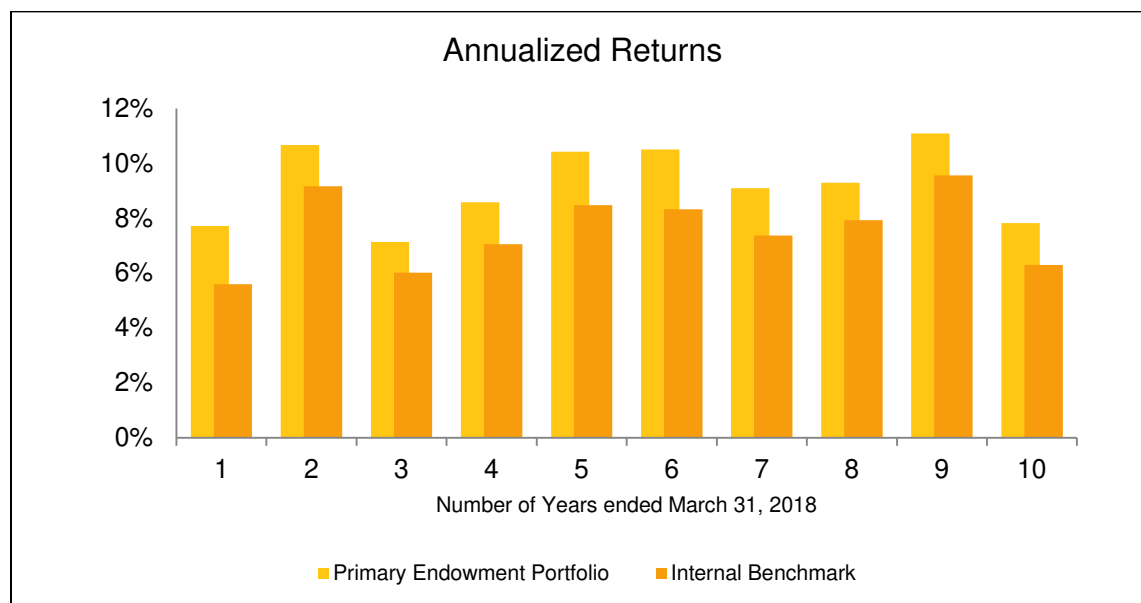
The Foundation has a robust management and governance structure in place to monitor and maintain the primary endowment portfolio (the “Endowment”) of \$890.7 million at March 31, 2018 which represents 91% of the charity’s total assets (2017 – \$828.7 million, 90% of total assets). The Foundation’s primary objective is to earn a rate of return over the long term that preserves the real purchasing power of the Endowment.

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 utilizes 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.

	2018		2017	
	Annual Performance	Asset Allocation	Annual Performance	Asset Allocation
Endowment	7.70%		13.70%	
Asset Class:				
Cash and equivalents	0.4%	2.9%	0.7%	3.2%
Canadian fixed income	1.4%	15.6%	1.5%	16.6%
High yield bonds	2.2%	5.1%	16.1%	5.4%
Canadian large cap equity	3.6%	20.6%	17.7%	21.7%
Canadian small cap equity	-0.2%	5.6%	21.6%	6.0%
U.S. equity	10.0%	12.2%	20.9%	13.8%
EAFE equity	15.6%	14.1%	10.7%	13.1%
Emerging market equity	15.2%	5.5%	16.1%	5.2%
Real estate	7.7%	5.8%	9.5%	5.1%
Private equity	28.9%	8.3%	40.7%	7.0%
Infrastructure	3.8%	4.4%	2.5%	3.0%

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 1 – 10 year annualized performance for the period ended March 31, 2018.



Overall, 2017 was a good year for markets. The Endowment performed well as a result, finishing the calendar year with an absolute return of 11.7% before dipping to 7.7% leading into the first quarter of 2018, still surpassing the Policy benchmark. The Foundation's ongoing effort to increase its allocation to alternative assets (real estate, private equity and infrastructure) was a major contributor to the positive total fund performance. Private equity's absolute return of 28.9% was the greatest contributor to the Endowment this year.

From a global perspective, investor sentiment was bullish in 2017 and low volatility was common across markets despite rising political uncertainty. Tensions in North Korea and Syria intensified market risk midway through the year. Russia's alleged interference in the 2016 U.S. presidential election and the ongoing FBI investigation continues to test investors' nerves. However, the Trump administration's pro-business agenda and tax reform towards the end of the year were seen as an advantage and a pivot from uncertain trade negotiations and immigration policy. Brexit negotiations continue as the March 2019 deadline to ratify a trade deal looms. Despite the political uncertainty and higher volatility leading into the first quarter of calendar 2018, the Foundation's international and U.S. equity holdings achieved absolute returns of 15.6% and 10.0% for the fiscal year respectively. In addition, emerging

markets benefited from the global growth environment and increased trade with returns of 15.2%.

The U.S. Federal Reserve increased rates three times in 2017. During the fall, the Fed also began a slow unwinding of its balance sheet and has forecasted three more hikes in 2018. The markets did not respond positively to the higher rates and inflation remained under the target 2%. The Bank of Canada followed suit also hiking rates citing healthy job gains and low unemployment. The Endowment's fixed income securities contributed modestly to fund performance with universe bonds ending the fiscal year at 1.4% and high yield bonds marginally higher at 2.2%.

The Canadian economy recovered in 2017 with labour market growth as one of the main drivers. However, high debt loads among Canadian consumers have constrained spending and rising interest rates are thought to have further dampened growth. In addition, renegotiations of the North American Free Trade Agreement (NAFTA) between Canada, the U.S. and Mexico has created uncertainty among investors. U.S. protectionist measures have made for challenging trade talks leading into 2018. Overall, the Endowment's Canadian equity investments (both large and small capitalization, "cap") saw strong returns at the beginning of the year, but performance declined leading into 2018 with small cap investments detracting from the total fund at -0.2% and large cap contributing marginally at 3.6%.

The Foundation's alternative investments in real estate, infrastructure and private equity performed well for the year. Private equity continues to be the Foundation's top performer. The Foundation's real assets strategy focuses predominately on North American commercial real estate properties and global infrastructure investments. Real estate attained a total return of 7.7%, in line with expectations, while infrastructure underperformed returning 3.8% for the year ending March 31, 2018.

Going forward, Management will increase the Foundation's allocation to alternative assets by reducing exposure to public equity and fixed income. In addition, the Foundation has introduced private debt as a new asset class under its fixed income allocation focusing on U.S. middle market direct lending.

Impact Investments

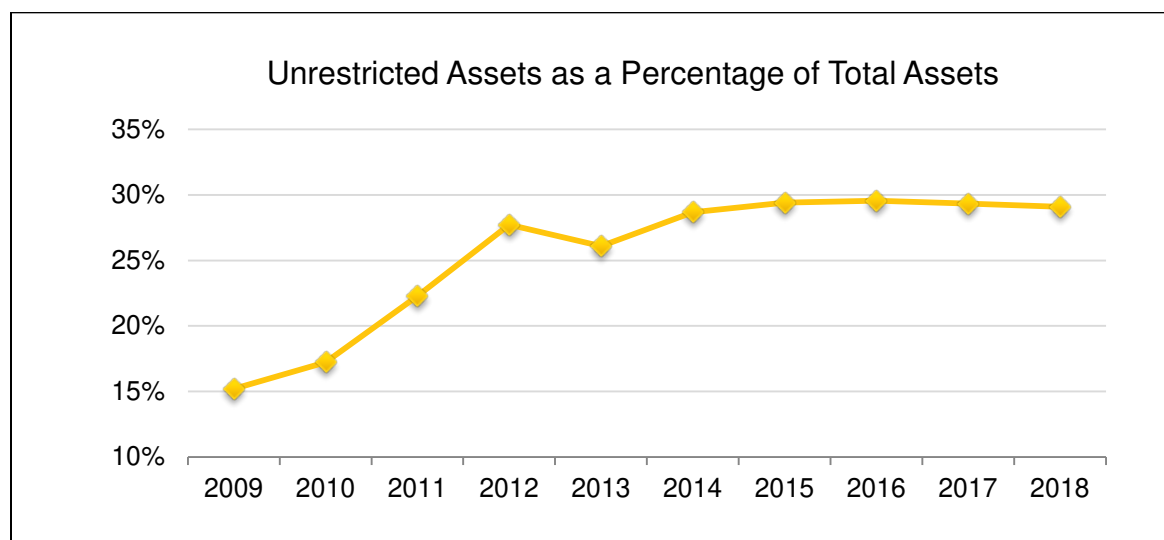
The Foundation's Community Impact Investment program provides debt financing to Calgary and area charities and not-for-profit organizations working in all parts of the community. The program augments investments from traditional financial institutions, or provides lending to organizations with credit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

- **Inn from the Cold Society** borrowed \$1.5 million (2017 - \$nil) to purchase an 11-unit apartment building to expand its Journey House program. Journey House helps families transition from the organization's emergency shelter into affordable housing.
- **The Kahanoff Centre for Charitable Activities** built a second tower, which doubles the amount of affordable office space the charity is able to offer to the not-for-profit sector. The Kahanoff Centre for Charitable Activities approached its shareholder, the Foundation, to guarantee construction and takeout financing and to provide up to a \$6.0 million (2017 - \$3.0 million) loan to aid in the expansion.
- **The Jack Long Foundation** borrowed \$0.15 million (2017 - \$nil) to purchase land from the City of Calgary for Elderhouse, an affordable seniors living facility.
- **The Calgary Drop-In and Rehab Centre** borrowed \$3.0 million (2017 - \$nil) to help renovate a former hotel in the community of Greenview into an affordable supportive housing facility called Centre 4800.

Last year the Autism and Aspergers Friendship Society of Calgary borrowed \$0.18 million to train staff to implement a new software that helps autistic adults with daily independent living activities. The charity expects to repay the loan in full by August of 2018. As at March 31, 2018, the Foundation has lent \$9.8 million (2017 - \$3.2 million) to Calgary charities, has commitments of \$3.0 million and has proposed investments of \$7.5 million. The Foundation has received \$1.9 million in principal and interest payments since the fund's inception to the end of the fiscal year.

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. Unrestricted fund assets have grown as a percentage of the total endowed funds from 17% in 2010 to 29% in 2018. This growth was driven primarily by one significant-sized bequest.

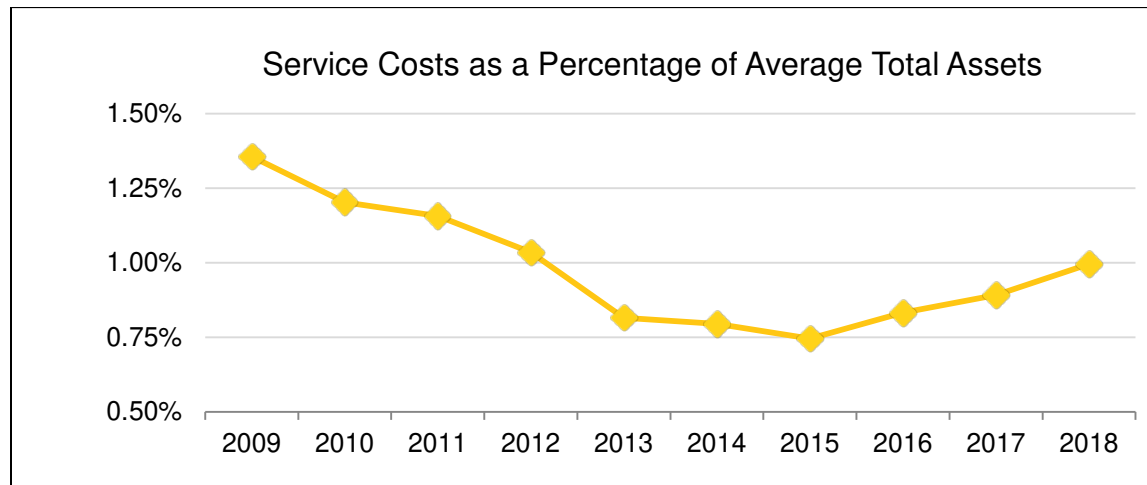


Organizational effectiveness

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 service costs to a range around 1% of average asset value.



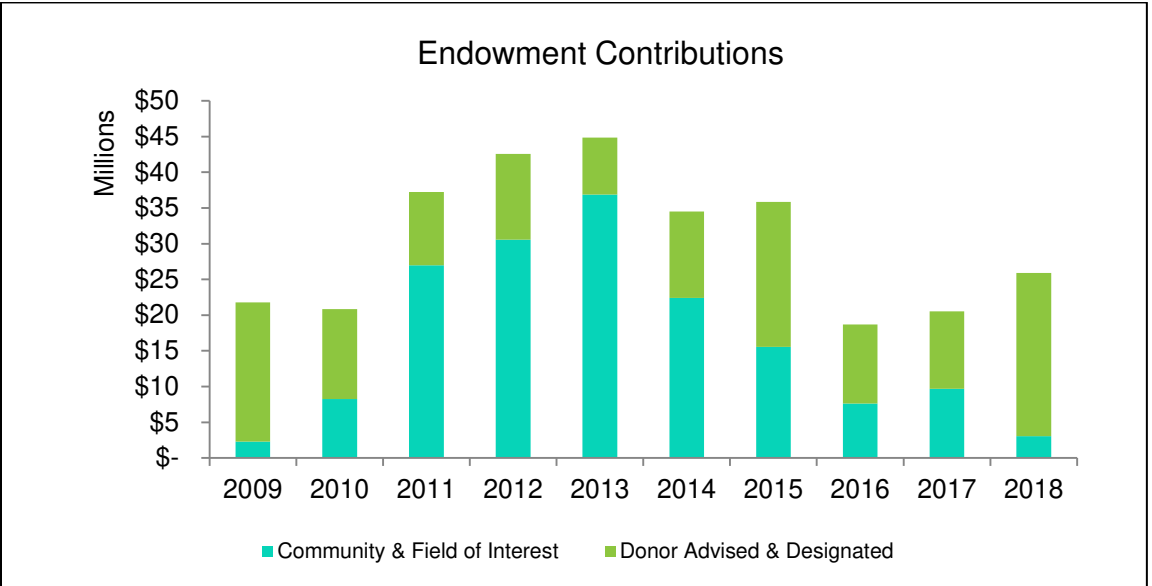
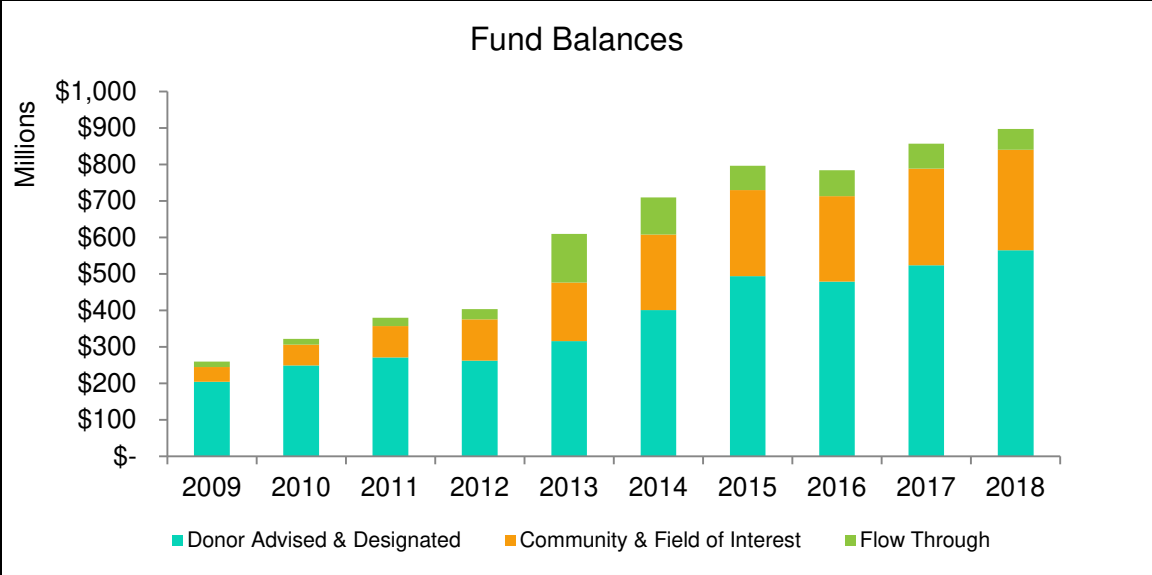
CAPABILITY TO DELIVER RESULTS AND HISTORICAL ANALYSIS

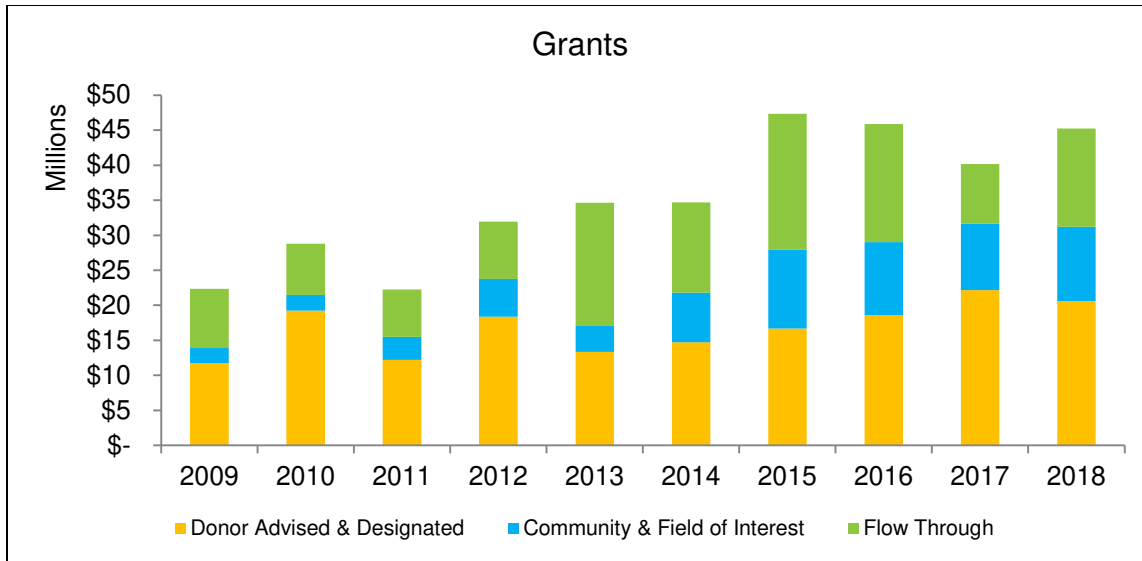
Assets

The Foundation's total assets under administration as at March 31, 2018 totalled \$975.3 million as compared to \$925.6 million at March 31, 2017. Of the total assets under administration at fiscal year-end, \$67.9 million (2016 – \$60.8 million) of assets represent funds administered for others. Funds administered for others are generally endowments owned by other charitable organizations. The funds administered for others 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.

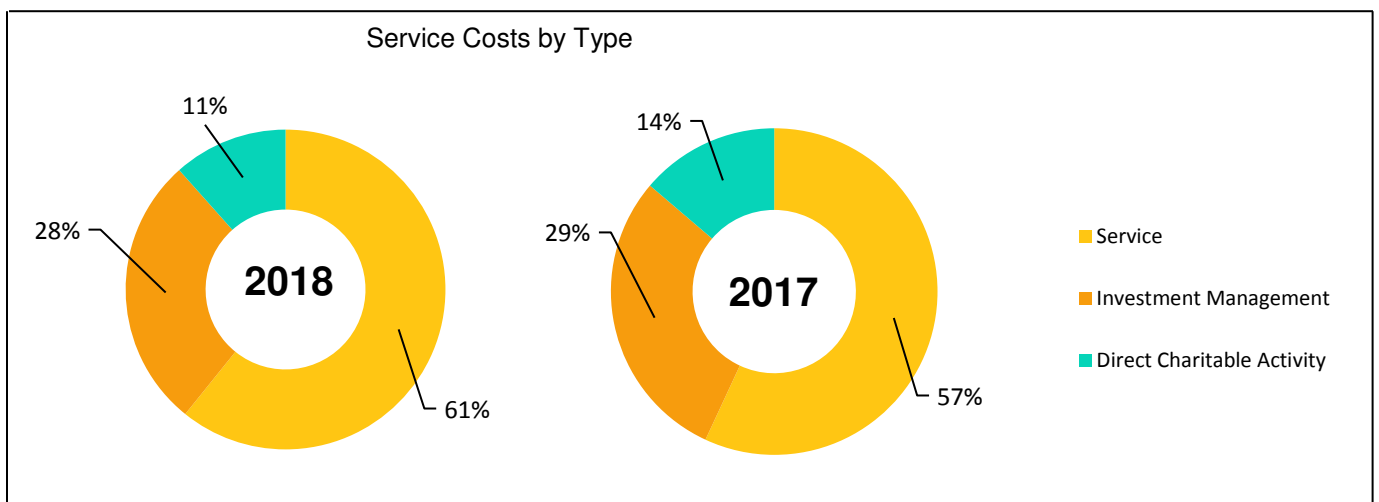
Operations

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.

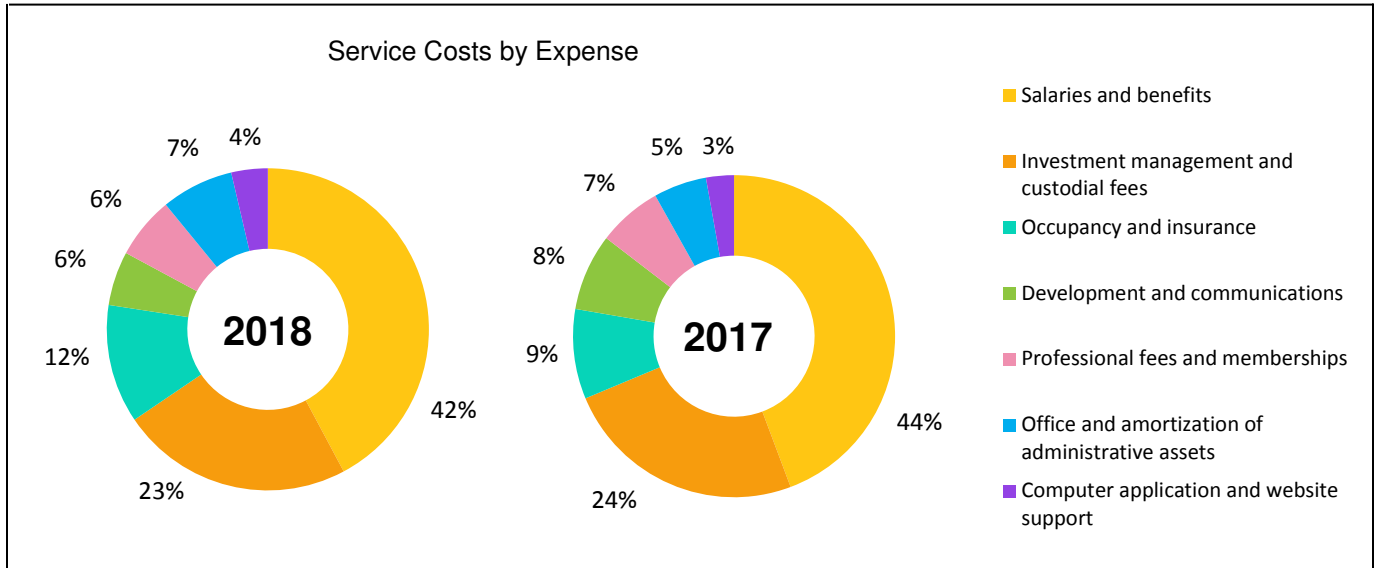




The service costs incurred to execute the strategy and drive performance are distinguished for management purposes between service costs (e.g. donor engagement, communications, accounting, computer support, general and administrative and related management), investment management costs (e.g. portfolio 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 \$9.5 million (\$7.8 million in 2017).



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



Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled \$0.7 million (2017 – \$0.4 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 2019 fiscal year will be materially consistent with those in 2018. 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. In light of existing mitigating factors such as financial controls, resource allocation to technology, organization-wide attention to strategic planning and governance oversight, two risks have been rated as having the highest potential negative impact on the Foundation's ability to carry out its mission:

Reputational Risk: Media & Third Party Social Media Relations

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.

Reputational Risk: Staff and Volunteer Conduct

The conduct of those associated strongly with the Foundation can have an outsize impact on the perception of the Foundation by the public, potential donors, grant seekers and other stakeholders. Staff, Board members or other volunteers may make a statement or act in a manner that is inconsistent with the Foundation's values or compromises its reputation. Due diligence in recruitment of staff and volunteers, ensuring cultural fit through a thorough interview and reference checking process and education on Foundation values and expectations through an orientation process are all undertaken to minimize the risk of inappropriate conduct by Foundation staff and volunteers.



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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, 2018, the consolidated statements of operations and 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.

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, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 21, 2018
Calgary, Canada

THE CALGARY FOUNDATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative figures for 2017

	2018	2017
Assets (note 3)		
Current assets:		
Cash and cash equivalents	\$ 51,530,864	\$ 98,095,860
Prepaid expenses	350,192	259,318
Insurance proceeds receivable	—	500,000
Accrued investment income	684,138	641,585
Current portion of loans receivable (notes 5 and 11 (c))	347,140	3,175,000
	52,912,334	102,671,763
Investments, at fair value (note 4)	910,785,890	819,554,962
Loans receivable (notes 5 and 11 (c))	7,603,959	—
Other assets (note 6)	4,031,178	3,390,846
	\$975,333,361	\$ 925,617,571

Liabilities and Net Assets

Current liabilities:		
Grants payable and accrued liabilities	\$ 8,709,015	\$ 6,380,575
Deferred flow-through grants (note 7)	56,961,859	68,897,581
	65,670,874	75,278,156
Non-current grants payable	891,700	1,202,500
Funds administered for others (note 8)	67,890,450	60,754,834
Foundation funds:		
Community and Field of Interest funds (note 7)	275,992,835	265,142,424
Donor Advised and Designated funds (note 7)	564,887,502	523,239,657
	840,880,337	788,382,081
Commitments (notes 9 and 11 (c))		
	\$975,333,361	\$ 925,617,571

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, 2018, with comparative figures for 2017

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2018	Total 2017
Revenue					
Contributions	\$ 3,045,820	\$ 22,877,879	\$ 8,020,663	\$33,944,362	\$ 25,954,315
Interest and dividends	5,965,370	11,618,083	77,251	17,660,704	20,429,076
Flow-through funds interest	652,908	–	121,550	774,458	450,845
Costs recovered from funds administered for others (note 8)	783,492	–	–	783,492	439,565
Realized capital gains (losses), net	8,925,283	17,443,677	(52,250)	26,316,710	19,691,838
Unrealized capital gains (losses), net	5,074,837	10,697,453	8,953	15,781,243	54,275,359
Total revenue	24,447,710	62,637,092	8,176,167	95,260,969	121,240,998
Expenditures					
Grants	(10,569,003)	(20,628,661)	(14,036,791)	(45,234,455)	(40,186,506)
Service costs, net (note 10)	(4,081,481)	(5,295,149)	(87,350)	(9,463,980)	(7,791,662)
Total expenditures	(14,650,484)	(25,923,810)	(14,124,141)	(54,698,435)	(47,978,168)
Transfers	1,053,185	4,934,563	(5,987,748)	–	–
Decrease (increase) in deferred flow-through grants	–	–	11,935,722	11,935,722	1,762,287
Change during the year	10,850,411	41,647,845	–	52,498,256	75,025,117
Balance, beginning of year	265,142,424	523,239,657	–	788,382,081	713,356,964
Balance, end of year	\$275,992,835	\$564,887,502	–	\$840,880,337	\$788,382,081

See accompanying notes to the consolidated financial statements.

THE CALGARY FOUNDATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	\$ 52,498,256	\$ 75,025,117
Change in deferred flow-through grants	(11,935,722)	(1,762,287)
Change in funds administered for others (note 8)	7,135,616	31,662,650
Change in funds	47,698,150	104,925,480
Change in non-current grants payable	(310,800)	302,500
Items not involving cash:		
Realized capital (gain) loss on sale of investments	(28,505,133)	(20,712,300)
Unrealized capital loss (gain) on investments	(16,949,245)	(57,534,221)
Contributions of non-cash gifts	(10,073,984)	(7,139,531)
Costs recovered from funds administered for others (note 8)	(783,492)	(439,565)
Amortization of leasehold improvements and administration assets (note 10)	350,784	142,334
	(8,573,720)	19,544,697
Changes in non-cash working capital:		
Prepaid expenses	(90,874)	10,222
Accrued investment income	(42,553)	(138,736)
Grants payable and accrued liabilities	2,328,440	(2,286,898)
	(6,378,707)	17,129,285
Investing activities:		
Purchase of leasehold improvement and administrative assets	(934,502)	(2,161,229)
Loans receivable (note 5)	(6,650,000)	(3,175,000)
Repayment of loans receivable (note 5)	1,887,026	500,000
Proceeds from sale of endowment investments	103,187,379	114,971,563
Proceeds from sale of flow-through investments	11,946,530	3,000,000
Purchase of endowment investments	(110,501,878)	(115,171,565)
Purchase of flow-through investments	(39,120,844)	-
	(40,186,289)	(2,036,231)
Net increase (decrease) in cash and cash equivalents	(46,564,996)	15,093,054
Cash and cash equivalents, beginning of year	98,095,860	83,002,806
Cash and cash equivalents, end of year	\$ 51,530,864	\$ 98,095,860

See accompanying notes to the consolidated financial statements.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2018, with comparative figures for 2017

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, 2018, with comparative figures for 2017

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. On December 31, 2017, The TCF Trust was dissolved.

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 prescribed by part III, section 4450 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 limited partnership investments in real estate, private equity and infrastructure is calculated using the most recent audited financial statements. In the cases when the date of these 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 limited partnership investments and the Foundation's fiscal year end is estimated by management. 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.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

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) 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.

(h) 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 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.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

3. Assets by fund

	Community & Field of interest	Donor Advised & Designated	Flow-through	Funds Administered for Others	Total
Cash and cash equivalents	\$ 12,183,037	\$ 20,169,393	\$ 16,785,984	\$ 2,392,450	\$ 51,530,864
Prepaid expenses	331,435	16,957	1,800	–	350,192
Accrued investment income	253,011	292,306	102,966	35,855	684,138
Current portion of loans receivable	–	–	347,140	–	347,140
Investments, at fair value	268,182,596	544,615,628	32,525,522	65,462,144	910,785,890
Loans receivable	–	–	7,603,959	–	7,603,959
Other assets	2,853,911	1,177,267	–	–	4,031,178
March 31, 2018	\$ 283,803,990	\$ 566,271,551	\$ 57,367,371	\$ 67,890,449	\$ 975,333,361
March 31, 2017	\$ 271,558,784	\$ 524,103,887	\$ 69,200,066	\$ 60,754,834	\$ 925,617,571

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

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.

	2018	2017
Bonds and debentures		
Investment grade	\$176,376,500	\$147,339,403
High yield	45,466,805	44,716,271
	<hr/> 221,843,305	<hr/> 192,055,674
Stocks		
Canada	232,462,158	229,804,033
International	292,117,405	272,924,126
	<hr/> 524,579,563	<hr/> 502,728,159
Real estate	51,217,712	42,197,491
Infrastructure	39,004,661	24,722,770
Private equity	74,140,649	57,850,868
	<hr/> \$910,785,890	<hr/> \$819,554,962

5. Loans receivable

The loans receivable relate to the Foundation's Community Impact Investment program. The Community Impact Investment 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.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

5. Loans receivable (continued)

	2018	2017
Loan to Kahanoff Centre for Charitable Activities, does not have specified repayment terms, terms will be renegotiated on December 31, 2026 if there is an outstanding balance, bearing interest at 1% per annum until December 31, 2018 and increasing by 0.5% annually until January 1, 2024. (Note 11)	\$3,300,000	\$ –
Loan to Kahanoff Centre for Charitable Activities, repayable on demand, bearing interest at 0.50% per annum.	–	3,000,000
Loan to Calgary Drop-In and Rehab Centre, \$90,000 repayable February 28, 2019 and February 29, 2020 with the balance repayable February 28, 2021, bearing interest at 3% per annum.	3,000,000	–
Loan to Inn from the Cold Society, repayable by monthly installments ending June 2024, bearing interest at 3% per annum.	1,353,915	–
Loan to Jack Long Foundation, repayable on demand, bearing interest at 4.75% per annum.	150,000	–
Loan to Autism Aspergers Friendship Society, repayable in full August 2018, bearing interest at 5.50% per annum.	147,184	175,000
Current portion of loans receivable	(347,140)	(3,175,000)
	<u>\$7,603,959</u>	<u>\$ –</u>

6. Other assets

	2018	2017
Cash surrender value of donated life insurance policies	\$1,177,267	\$ 1,085,784
Leasehold improvements, net of accumulated amortization of \$513,223 (2017 – \$225,454)	2,660,199	2,087,265
Administrative assets, net of accumulated amortization of \$393,446 (2017 – \$330,431)	188,309	177,525
Miscellaneous	5,403	40,272
	<u>\$4,031,178</u>	<u>\$3,390,846</u>

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

6. Other assets (continued)

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

	2018			2017	
	Premiums paid	Cash surrender value	Face value	Face value	
Whole life policies	\$ 126,010	\$ 1,177,267	\$ 14,934,713	\$ 14,619,609	
Term life policies	17,400	–	615,000	615,000	
	\$ 143,410	\$ 1,177,267	\$ 15,549,713	\$ 15,234,609	

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

7. Foundation funds

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

	2018	2017
Community	\$ 219,697,079	\$212,405,645
Field of Interest	56,295,756	52,736,779
	\$ 275,992,835	\$265,142,424
Donor Advised	\$ 306,693,209	\$275,027,468
Designated	258,194,293	248,212,189
	\$ 564,887,502	\$523,239,657
Deferred flow-through	56,961,859	68,897,581
	\$ 897,842,196	\$857,279,662

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2018 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 grants are designated and paid.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

8. Funds administered for others

a) Change in Funds administered for others	2018	2017
Increases		
Deposits	\$ 4,250,939	\$27,508,116
Interest and dividends	1,450,679	1,144,415
Realized capital gains, net	2,188,424	1,020,462
Unrealized capital gains, net	1,168,002	3,258,862
Total increases	9,058,044	32,931,855
Decreases		
Withdrawals	(1,138,936)	(829,640)
Service costs	(783,492)	(439,565)
Total decreases	(1,922,428)	(1,269,205)
Change during the year	7,135,616	31,662,650
Balance, beginning of year	60,754,834	29,092,184
Balance, end of year	\$67,890,450	\$60,754,834

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

8. Funds administered for others (continued)

b) Assets held on the statement of financial position:

	2018	2017
Canadian Hockey Foundation	\$ 10,846,145	\$10,160,305
Anonymous Account	8,912,126	8,372,373
Genesis Centre Common Areas Lifecycle Reserve Account	8,905,673	5,297,324
Genesis Centre Common Areas Operating Reserve Account	5,390,630	8,354,288
Calgary Academy Account	5,086,326	4,789,171
Ann & Sandy Cross Conservation Area	4,474,084	4,492,906
NECCS Capital Maintenance (Life Cycle) Reserve Account	3,117,927	2,933,129
NECCS Operating Reserve Account	1,915,817	300,280
CSPG Foundation Account	1,605,290	1,615,886
Kerr Account for Calgary Grace Lutheran Church	1,472,162	1,441,677
Estelle J. Siebens Outreach Endowment Fund	1,382,117	1,351,113
Safe Haven Foundation Managed Fund	1,208,655	1,138,493
Calgary Quest Children's Society Account	1,191,346	-
Foothills Academy Society Bursary Trust	1,079,143	1,055,483
Stockmen's Memorial Foundation Account	1,078,953	1,014,052
Rotary Club of Calgary Account	1,064,898	1,068,936
CSEG Foundation Account	972,830	822,154
Knox United Church Foundation of Calgary Account	787,643	773,401
Alberta Emerald Foundation Account	761,632	717,689
Calgary Highlanders Regimental Funds Foundation	703,311	661,083
CLERC Account	636,649	-
Habitat for Humanity Southern Alberta Society Account	620,499	584,699
Vecova Centre Account	616,332	579,327
Fig Tree Foundation Account	604,125	650,442
Christ Church Endowment Trust Account	557,165	407,034
Bow River Basin Council Society Account	534,023	503,212
Calgary Public Library Foundation Account	508,268	-
Camp Okotoks Society Fund	465,912	439,031
Foothills Academy Tuition Assistance Fund	462,026	451,976
KidSport Calgary and Area Account	381,518	263,718
Brown Bagging for Calgary Street Kids Society Account	329,805	310,777
Calgary Centre for Global Community Account	217,420	204,875
	\$ 67,890,450	\$60,754,834

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

9. Commitments

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

Asset class	Currency		
	March 31, 2018		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	\$ 887,353	\$ 122,873,235	€ 7,859,199
Real estate	887,353	20,752,422	–
Infrastructure	–	43,631,896	–
Private equity	–	58,488,917	7,859,199

Asset class	Currency		
	March 31, 2017		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	\$ 6,525,791	\$ 130,704,703	€ 7,859,199
Real estate	6,525,791	27,020,735	–
Infrastructure	–	53,994,933	–
Private equity	–	49,689,035	7,859,199

At March 31, 2018, the unfunded investment commitments denominated in U.S. dollars is \$122.9 million (2017 – \$130.7 million), translated into Canadian dollars in the amount of \$158.4 million (2017 – \$174.3 million). The unfunded investment commitments denominated in Euros is €7.9 million (2017 – €7.9 million), translated into Canadian dollars in the amount of \$12.5 million (2017 – \$11.2 million). The unfunded amounts may be called by the limited partnership on demand.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

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:

2019	\$ 672,000
2020	672,000
2021	672,000
2022	672,000
2023	672,000
Thereafter	2,296,000
	<u>\$5,656,000</u>

The Foundation continues to rent its previous office space under the existing operating lease, which expires in 2019. This office space is being subleased to a registered charity at no cost to the registered charity. The annual payments for 2019 are estimated to be \$33,000.

10. Service costs

	2018	2017
Salaries and benefits	\$3,984,370	\$3,442,020
Investment management and custodial fees	2,202,615	1,896,730
Occupancy and insurance	1,124,097	700,747
Development and communications	513,035	598,903
Professional fees	413,670	330,553
Amortization of leasehold improvements and administration assets	350,784	142,334
Computer application and website support	345,359	217,765
Office	334,754	271,634
Memberships	174,256	171,305
Premiums to maintain life insurance policies	143,410	149,109
Contributions to pay premiums to maintain life insurance policies	(122,370)	(129,438)
	<u>\$9,463,980</u>	<u>\$7,791,662</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 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, 2018, with comparative figures for 2017

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 Partner Fund are endowment funds that provide annual revenue to the Competition Foundation. At March 31, 2018 the market value of the four funds totalled \$15.0 million (2017 – \$14.4 million).

Esther Honens Calgary International Piano Competition Foundation		
As at and for the year ended	December 31, 2017	December 31, 2016
Revenues	\$1,594,931	\$2,174,838
Revenues from the endowment funds	570,300	500,089
Expenses	1,358,727	1,933,695
Assets	747,374	614,335
Liabilities	392,680	475,049
Shareholders’ equity (deficiency)	354,694	139,286

(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, 2018 the Luxton Historical Foundation Fund had a market value of \$5.6 million (2016 - \$5.4 million).

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

11. Controlled organizations (continued)

(b) Eleanor Luxton Historical Foundation (continued):

The Luxton Foundation financial statements are audited every 3 years with the most recent being 2015. The financial statements are subject to review in every other year.

Eleanor Luxton Historical Foundation		
As at and for the year ended	December 31, 2017	December 31, 2016
Revenues	\$279,928	\$238,420
Revenues from the endowment fund	214,384	196,801
Expenses	216,632	255,014
Assets	1,201,440	1,132,612
Liabilities	11,578	6,046
Unrestricted net assets	101,228	183,486

(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, 2017	December 31, 2016
Revenues	\$4,762,920	\$3,326,715
Expenses	5,920,498	4,449,635
Assets	47,916,873	52,176,182
Liabilities	39,893,744	42,995,475
Unrestricted (deficit) surplus	(1,670,139)	(512,561)

In the Foundation's fiscal year ended March 31, 2018, no grants were approved or paid to the Kahanoff Centre (2017 - \$124,000 paid).

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

11. Controlled organizations (continued)

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

The Kahanoff Centre completed the 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 guaranteed up to \$37.5 million of financing related to the mortgage on the facility. As of March 31, 2018, the Kahanoff Centre has an outstanding mortgage balance with the lender of \$36.2 million (2017 – \$37.2 million).

Additionally, the Foundation loaned \$2.0 million (2017 – \$3.0 million) to the Kahanoff Centre as part of the Foundation's Community Impact Investment program. The loan was used for leasehold improvements for tenants and is included in the liabilities presented in the table above. During the year the Kahanoff Centre repaid \$1.7 million of the original loan (2017 – \$nil).

During fiscal 2017, the Foundation relocated its offices to the Kahanoff Centre, which necessitated the construction of leasehold improvements. The Foundation paid the Kahanoff Centre \$0.6 million (2017 – \$1.8 million) for the costs related to leasehold improvements. The Foundation paid \$0.6 million (2017 – \$0.3 million) in lease payments to the Kahanoff Centre.

12. Significantly influenced organizations

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, 2018, grants totalling \$10,500 were made by the Foundation from Donor Advised funds to the Stampede Foundation (2017 - \$362,000 from Community and Flow-through funds).

13. Fund-raising expenses and other

The Foundation is required to disclose, as required 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 were \$4,550 (2017 - \$2,314). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$460,010 (2017 - \$337,864).

A grant of \$3.9 million 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, 2018 (2017 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

14. Financial instruments

The Foundation's financial instruments included in the consolidated statement of financial position are comprised of cash and cash equivalents, loans and other receivables, payables and investments.

Fair values of financial assets and liabilities

The Foundation classifies its financial instruments at fair value 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, receivables and payables 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 real estate, private equity and infrastructure is calculated using the most recent audited financial statements. The following is a summary of the Foundation's investments using the fair value hierarchy.

	Investments at fair value as at March 31, 2018			
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$176,376,500	\$ –	\$ 176,376,500
Bonds and debentures, High yield	–	45,466,805	–	45,466,805
Stocks, Canada	232,462,158	–	–	232,462,158
Stocks, International	292,117,405	–	–	292,117,405
Real estate	–	–	51,217,712	51,217,712
Infrastructure	–	–	39,004,661	39,004,661
Private equity	–	–	74,140,649	74,140,649
	\$ 524,579,563	\$221,843,305	\$ 164,363,022	\$ 910,785,890

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

14. Financial instruments (continued)

	Investments at fair value as at March 31, 2017			
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$147,339,403	\$ –	\$ 147,339,403
Bonds and debentures, High yield	–	44,716,271	–	44,716,271
Stocks, Canada	229,804,033	–	–	229,804,033
Stocks, International	272,924,126	–	–	272,924,126
Real estate	–	–	42,197,491	42,197,491
Infrastructure	–	–	24,722,770	24,722,770
Private equity	–	–	57,850,868	57,850,868
	\$ 502,728,159	\$192,055,674	\$ 124,771,129	\$ 819,554,962

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 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, 2018, with comparative figures for 2017

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 financial instrument takes into account the credit rating of its issuer. The Foundation's financial instruments of cash equivalents, loans receivable 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, engaging a professional investment manager to actively evaluate the creditworthiness of the issuers of the high yield debt and charging Foundation management with the periodic review of the financial strength and ability to service the loan of impact investment borrowers. Cash equivalents are substantially all Government of Canada Treasury Bills. As at March 31, 2018, the Foundation's credit exposures in its fixed income portfolios were as follows:

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$176,376,500	\$ 45,466,805
AAA	41.5%	0.8%
AA	27.6%	2.3%
A	22.3%	–
BBB	8.6%	7.1%
BB	–	31.0%
<BB	–	58.8%

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

15. Financial risk management (continued)

(a) Credit risk: (continued)

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$147,339,403	\$ 44,716,271
AAA	38.6%	–
AA	28.5%	2.8%
A	23.5%	2.1%
BBB	9.4%	8.7%
BB	–	38.0%
<BB	–	48.4%

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

(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.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

15. Financial risk management (continued)

(c) Market risk (continued):

(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	
	2018	2017
Investments, at fair value	\$910,785,890	\$819,554,962
Canadian dollar	50.5%	54.0%
US dollar	30.1%	29.8%
Euro	7.9%	7.4%
British pound	3.2%	3.4%
Japanese yen	1.8%	1.8%
Other	6.5%	3.6%

Total unhedged investments held in foreign currencies as at March 31, 2018 were \$450,799,123, 49.5% of investments (2017 - \$376,980,010, 46.0%). The most significant exposure to currency risk is \$274,091,776, 30.1% of investments (2017 - \$244,471,327, 29.8% 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, 2018 would have increased (decreased) net assets and investment income for the year by \$27.4 million (2017 - \$24.4 million). This analysis assumes that all other variables, in particular interest rates, remained constant.

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

15. Financial risk management (continued)

(c) Market risk (continued):

(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:

	2018	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$176,376,500	\$45,466,805
Duration (years)	5.9	3.4
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(10.4 million)	\$(1.5 million)
Approximate resulting percentage decrease	(5.9%)	(3.4%)
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$10.4 million	\$1.5 million
Approximate resulting percentage increase	5.9%	3.4%
	2017	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$147,339,403	\$44,716,271
Duration (years)	6.8	3.5
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(10.0 million)	\$(1.6 million)
Approximate resulting percentage decrease	(6.8%)	3.5%
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$10.0 million	\$1.6 million
Approximate resulting percentage increase	6.8%	3.5%

THE CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2018, with comparative figures for 2017

15. Financial risk management (continued)

(c) Market risk (continued):

(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 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.

	2018	
	Canada	International
Stocks, at fair value	\$232,462,158	\$292,117,405
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$16.3 million	\$20.4 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(16.3 million)	\$(20.4 million)

	2017	
	Canada	International
Stocks, at fair value	\$229,804,033	\$272,924,126
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$16.1 million	\$19.1 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(16.1 million)	\$(19.1 million)

16. Government remittances

The Foundation has no significant outstanding government remittances as at March 31, 2018 (2017 – \$nil).