

**RED DEER SYMPHONY
ORCHESTRA ASSOCIATION**

**Review Engagement Report and
Financial Statements**

May 31, 2016



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REVIEW ENGAGEMENT REPORT

To the Members of Red Deer Symphony Orchestra Association

We have reviewed the statement of financial position of Red Deer Symphony Orchestra Association as at May 31, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Red Deer County, Alberta

Collins Barrow Red Deer LLP

September 1, 2016

Chartered Professional Accountants

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

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May 31, 2016

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RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Financial Position

As at May 31, 2016

(Unaudited)

	2016	2015
ASSETS		
Current assets		
Restricted cash (note 3)	\$ 339	\$ 1,301
Accounts receivable	27,586	17,085
Prepaid expenses	<u>1,256</u>	<u>2,165</u>
	29,181	20,551
Capital assets (note 4)	<u>8,756</u>	<u>19,033</u>
	<u>\$ 37,937</u>	<u>\$ 39,584</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (note 5)	\$ 60,546	\$ 33,142
Accounts payable and accruals (note 6)	22,692	34,733
Deferred revenue (note 7)	<u>38,320</u>	<u>35,076</u>
	121,558	102,951
Deferred capital contribution (note 8)	<u>-</u>	<u>6,066</u>
	<u>121,558</u>	<u>109,017</u>
FUND BALANCES		
Unrestricted	(92,716)	(83,701)
Invested in capital assets	8,756	12,967
Restricted	<u>339</u>	<u>1,301</u>
	<u>(83,621)</u>	<u>(69,433)</u>
	<u>\$ 37,937</u>	<u>\$ 39,584</u>

Approved by the board:

_____ Member
_____ Member

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Changes in Net Assets

Year ended May 31, 2016

(Unaudited)

	Unrestricted	Invested in capital assets	Restricted	Total 2016	Total 2015
Balance, beginning of year	\$ (83,701)	\$ 12,967	\$ 1,301	\$ (69,433)	\$ (69,703)
Excess (deficiency) of revenues over expenses	(8,485)	(4,211)	(1,492)	(14,188)	270
Transfers	<u>(530)</u>	<u>-</u>	<u>530</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (92,716)</u>	<u>\$ 8,756</u>	<u>\$ 339</u>	<u>\$ (83,621)</u>	<u>\$ (69,433)</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Operations

Year ended May 31, 2016

(Unaudited)

	2016 Budget	2016 Actual	2015 Actual
Unrestricted revenues (page 12)	<u>\$ 482,664</u>	<u>\$ 483,112</u>	<u>\$ 427,388</u>
Unrestricted cost of productions (page 14)			
Musicians, soloists and benefits	133,552	148,304	117,022
Advertising in kind	30,000	51,677	30,478
Conductor salary	46,742	46,742	45,381
Other event production costs	23,300	33,035	714
Fundraising	29,000	29,233	3,390
Facilities rent	30,092	20,704	8,358
Advertising and marketing	13,900	13,954	13,157
Commission on ticket sales	19,124	10,124	5,030
Musicians travel	16,250	7,671	7,102
Music and royalties	8,590	5,494	7,096
Personnel agent	4,606	3,969	3,758
Librarian	3,100	2,400	1,900
Sold services	-	903	68,266
Instrument rental, moving and tuning	-	150	975
	<u>358,256</u>	<u>374,360</u>	<u>312,627</u>
Gross margin from unrestricted operations	124,408	108,752	114,761
Unrestricted administrative expenses (page 13)	<u>128,198</u>	<u>121,448</u>	<u>113,799</u>
Excess (deficiency) of revenues over expenses from operations	<u>(3,790)</u>	<u>(12,696)</u>	<u>962</u>
Restricted income (expenses)			
Raffle and casino revenues	19,000	7,140	36,010
Musicians travel	-	(4,410)	(1,338)
Musicians wages	-	(2,632)	(22,431)
Fundraising	(5,100)	(850)	(531)
Administrative	-	(740)	(5,089)
Production costs	-	-	(7,313)
	<u>13,900</u>	<u>(1,492)</u>	<u>(692)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 10,110</u>	<u>\$ (14,188)</u>	<u>\$ 270</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Cash Flows

Year ended May 31, 2016

(Unaudited)

	2016	2015
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from donors, governments, sponsors, and ticket holders	\$ 425,252	\$ 422,054
Cash paid to suppliers and employees	(452,397)	(462,330)
Interest paid	(1,221)	(291)
	(28,366)	(40,567)
Investing activity		
Purchase of capital assets	-	(2,179)
Decrease (increase) in deficiency	(28,366)	(42,746)
Cash (deficiency), beginning of year	(31,841)	10,905
Cash (deficiency), end of year	\$ (60,207)	\$ (31,841)
Cash (deficiency) consists of:		
Restricted cash	\$ 339	\$ 1,301
Bank indebtedness	(60,546)	(33,142)
	\$ (60,207)	\$ (31,841)

Excluded from the statement of cash flows are \$51,677 (2015 - \$30,478) of donations in kind received in the year.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

1. Nature of Operations

Red Deer Symphony Orchestra Association is a not-for-profit entity incorporated as a registered charity under paragraph 149(1) of the Income Tax Act. In order to maintain its status as a registered not-for-profit entity under the Act, the Association must meet certain requirements within the Act.

The purpose of the Association is to provide Central Alberta with quality music that is nationally recognized. The Association sets out to foster an appreciation for, and the development of, symphonic music in Central Alberta. This is achieved through creative programming, education and outreach, responsible governance and management, and community partnerships.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund accounting and revenue recognition

The Association follows the restricted fund method of accounting for contributions. For financial reporting purposes the following funds are established:

Unrestricted: represents the unrestricted activities of the Association's operations.

Invested in capital assets: represents the Association's net contributions for capital assets.

Restricted: represents the casino and raffle activities of which the use of funds are subject to approval by the Alberta Gaming and Liquor Commission.

Cash reserve: represents an internally restricted cash reserve established in 2014 as outlined by the Alberta Foundation for the Arts to be funded annually in years where there is a surplus. Use of the funds requires board approval.

Externally restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and donations are recognized as revenue when received. Fundraising and program event revenue is recognized when the event has been performed. Other revenue is recorded as earned.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

2. Significant Accounting Policies, continued

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant areas requiring the use of estimates include: allowance for doubtful accounts and the estimated useful lives of capital assets. Actual results could differ from those estimates.

Contributed services

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Association's operations and would otherwise have been purchased.

The Association benefits from donated services in the form of volunteer time for various committees and fundraising events. Due to the difficulty of determining their fair value, these contributed services are not recognized in these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, short-term deposits with a maturity of less than three months at acquisition and temporary bank overdrafts which form an integral part of the Association's cash management.

Capital assets

Capital assets are recorded at cost and are being amortized over their estimated useful lives. Capital grants are deferred and amortized to revenue at the same rate as the amortization of the capital asset acquired with the funds. Contributed capital assets are recorded at fair value at the date of acquisition. The annual amortization rates and methods are as follows:

Music library	20 years Straight-line
Office equipment	10 years Straight-line
Computer equipment	5 years Straight-line

A half year of amortization is recorded in the year of acquisition and none is recorded in the year of disposal.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

2. Significant Accounting Policies, continued

Financial instruments

The Association measures its financial instruments initially at fair value and subsequently measures them at amortized cost.

3. Restricted Cash

Restricted cash consists of savings account deposits restricted by the Alberta Gaming and Liquor Commission (AGLC), whereby use of these funds is only available for qualifying and approved expenditures.

4. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net</u>	<u>2015 Net</u>
Music library	\$ 9,711	\$ 2,809	\$ 6,902	\$ 7,387
Office equipment	7,240	6,940	300	9,366
Computer equipment	<u>3,630</u>	<u>2,076</u>	<u>1,554</u>	<u>2,280</u>
	<u>\$ 20,581</u>	<u>\$ 11,825</u>	<u>\$ 8,756</u>	<u>\$ 19,033</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

5. Bank Indebtedness

The Association has access to a line of credit available to a maximum of \$50,000. The line of credit bears interest at the bank's prime rate (currently 2.7%) plus 2.2%. A General Security Agreement and a personal guarantee by a member of the Board of Director's has been provided as collateral.

	<u>2016</u>	<u>2015</u>
Line of credit	\$ 34,685	\$ -
Excess cheques over funds on deposit	<u>25,861</u>	<u>33,142</u>
	<u>\$ 60,546</u>	<u>\$ 33,142</u>

6. Accounts Payable and Accruals

	<u>2016</u>	<u>2015</u>
Accounts payable and accruals	\$ 10,614	\$ 9,545
Wages and vacation payable	5,793	5,654
Goods and Services Tax payable	3,723	2,109
Payroll remittances payable	2,562	2,425
Short-term loan	<u>-</u>	<u>15,000</u>
	<u>\$ 22,692</u>	<u>\$ 34,733</u>

During the year, the Association repaid the \$15,000 short-term loan from the previous year that was advanced from a company controlled by a board member. It also received and repaid a \$20,000 short-term loan from a board member. Both loans were non-interest bearing.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

7. Deferred Revenue

	<u>2016</u>	<u>2015</u>
Deferred membership & ticket sales	\$ 14,925	\$ 14,014
Alberta Foundation for the Arts - strategic plan	12,145	-
City of Red Deer grant - sistema program	7,500	-
City of Red Deer Grant - strategic plan	3,750	-
CIP funding - August 2015 concert	-	16,062
City of Red Deer grant - August 2015 concert	-	5,000
	<u>\$ 38,320</u>	<u>\$ 35,076</u>

8. Deferred Capital Contribution

Deferred contributions related to capital assets represent restricted contributions used to purchase equipment and were amortized on the same basis as the equipment. The changes in the deferred contributions balance for the year are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 6,066	\$ 7,839
Less amount amortized to revenue	<u>(6,066)</u>	<u>(1,773)</u>
	<u>\$ -</u>	<u>\$ 6,066</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

9. Grants

	<u>2016</u>	<u>2015</u>
Alberta Foundation for the Arts	\$ 49,099	\$ 52,626
City of Red Deer	25,500	20,000
Canada Council for the Arts	23,500	23,500
RBC Foundation	-	5,000
Sylvan Lake Community Endowment Fund	-	4,000
Rotary Club	-	3,000
Red Deer & District Community Foundation	-	2,470
	<u>\$ 98,099</u>	<u>\$ 110,596</u>

10. Designated Funds

The Red Deer Symphony Orchestra Association is the beneficiary of two Designated Funds owned and administered by the Red Deer & District Community Foundation. The funds were created in 1991 and the income is available to the Association during its existence. As at December 31, 2015, the Red Deer Symphony Orchestra Legacy Fund market value was \$128,608 (2014 - \$131,070) the Canadian Arts Heritage Sustainability Program Fund market value was \$81,757 (2014 - \$83,324). As beneficiary of the funds, the Red Deer Symphony Orchestra Association receives annual disbursements of net income earned by each fund. Annual disbursements to December 31, 2015 are \$6,986 (2014 - \$6,291).

11. Commitments

The Association does not yet have facility rental agreements in place for the concerts scheduled for the 2017 fiscal year.

The Association has an agreement with the Calgary Musician's Association. If a concert does not take place, the Association is liable for fifty percent of the musicians fees based on the set service rates.

The Association has signed an agreement related to a program for branding and visual identity at a cost of \$20,000.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to the Financial Statements

May 31, 2016

(Unaudited)

12. Economic Dependence

Red Deer Symphony Orchestra Association is dependent on funding from government grants to maintain its operations. If funding was not received, its operations would be significantly reduced.

13. Financial Instruments

The Association's financial instruments consist of restricted cash, accounts receivable, bank indebtedness and accounts payable and accruals. It is management's opinion that the Association is not exposed to significant interest, currency, liquidity, market or credit risk arising from these financial instruments, except as follows:

Liquidity risk

The Association is exposed to liquidity risk due to the excess of current liabilities over current assets.

14. Budget Amounts

The 2016 budget amounts have not been audited or reviewed and are provided for information purposes only.

15. Comparative Amounts

The presentation of certain accounts of the previous year has been changed to conform with the presentation for the current year.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Schedule of Unrestricted Revenues

Year ended May 31, 2016

(Unaudited)

	2016 Budget	2016 Actual	2015 Actual
Membership and ticket sales	\$ 160,249	\$ 165,486	\$ 118,706
Grants (note 9)	119,562	98,099	110,596
Sponsorship	72,450	75,140	43,598
Donations in kind	30,000	51,677	30,478
Summer concert	21,062	26,348	-
Fundraising	19,265	23,490	-
Cash donations	30,600	17,086	24,189
Season program advertising	20,000	13,918	17,246
Designated funds and interest income	9,476	7,655	6,361
Goods and Services Tax rebate	-	4,213	2,235
Sold services fees	-	-	73,979
	<u>\$ 482,664</u>	<u>\$ 483,112</u>	<u>\$ 427,388</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Schedule of Unrestricted Administrative Expenses

Year ended May 31, 2016

(Unaudited)

	2016 Budget	2016 Actual	2015 Actual
Wages and benefits	\$ 102,159	\$ 88,662	\$ 87,347
Loss on disposal of capital asset	-	9,066	-
Professional fees	6,500	7,150	8,500
Rent	3,875	3,641	2,736
Office	1,608	3,114	2,876
Telephone, fax and internet	2,220	2,732	2,583
Insurance	2,475	2,337	2,836
Interest and bank charges	312	1,221	290
Amortization	3,500	1,212	4,018
Promotion and advertising	2,539	1,089	1,760
Courier and shipping	1,904	724	774
Affiliation fees and membership dues	656	500	50
Travel	450	-	29
	<u>\$ 128,198</u>	<u>\$ 121,448</u>	<u>\$ 113,799</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Schedule of Costs of Production

Year ended May 31, 2016

(Unaudited)

	2016 Budget	2016 Actual	2015 Actual
Unrestricted Cost of Productions			
Main series			
Musicians, soloists and benefits	\$ 116,619	\$ 140,251	\$ 105,738
Conductor salary	46,742	46,742	45,381
Facilities rent	23,089	15,358	6,858
Musicians travel	15,800	7,671	4,839
Personnel agent	3,800	3,118	2,923
Music and royalties	8,000	4,390	2,403
Librarian	1,300	1,800	1,800
Other event production costs	300	371	484
Instrumental rental, moving and tuning	-	-	975
	<u>215,650</u>	<u>219,701</u>	<u>171,401</u>
Other events			
Other event production costs	23,000	32,664	230
Musicians, soloists and benefits	11,933	4,053	11,285
Facilities rent	7,003	5,346	1,500
Music and royalties	5,000	4,000	4,000
Personnel agent	806	852	835
Librarian	1,800	600	100
Instrumental rental, moving and tuning	-	150	-
Musicians travel	450	-	2,262
	<u>49,992</u>	<u>47,665</u>	<u>20,212</u>
General			
Advertising and marketing	43,900	65,630	43,635
Fundraising	29,000	29,233	3,390
Commission on ticket sales	19,124	10,124	5,030
Socan - musician royalties	590	1,104	693
Sold services	-	903	68,266
	<u>92,614</u>	<u>106,994</u>	<u>121,014</u>
	<u>\$ 358,256</u>	<u>\$ 374,360</u>	<u>\$ 312,627</u>
Restricted costs of production			
Musicians travel	\$ -	\$ 4,410	\$ 1,337
Musicians, soloists and benefits	-	2,632	22,431
Fundraising	5,100	850	531
Production costs	-	-	7,313
Administrative	-	740	5,089
	<u>5,100</u>	<u>8,632</u>	<u>36,701</u>
	<u>\$ 363,356</u>	<u>\$ 382,992</u>	<u>\$ 349,328</u>