

**RED DEER SYMPHONY
ORCHESTRA ASSOCIATION**

**Independent Practitioner's Review Engagement Report and
Financial Statements**

May 31, 2019

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Red Deer Symphony Orchestra

We have reviewed the accompanying financial statements of Red Deer Symphony Orchestra ("the Association") that comprise the statement of financial position as at May 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT, continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Red Deer Symphony Orchestra as at May 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Association's ability to continue as a going concern.

Other Matter

The financial statements of Red Deer Symphony Orchestra for the year ended May 31, 2018 were reviewed by another public accounting firm who expressed an unmodified conclusion on those financial statements on August 28, 2018.

Red Deer County, Alberta

September 19, 2019

RSM Alberta LLP

RSM ALBERTA LLP

Chartered Professional Accountants

RED DEER SYMPHONY ORCHESTRA

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RED DEER SYMPHONY ORCHESTRA

Statement of Financial Position

As at May 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ -	\$ 2,157
Accounts receivable	7,486	15,072
Restricted cash (note 4)	<u>1,734</u>	<u>57</u>
	9,220	17,286
Capital assets (note 5)		
	<u>5,445</u>	<u>6,367</u>
	<u><u>\$ 14,665</u></u>	<u><u>\$ 23,653</u></u>
LIABILITIES		
Current liabilities		
Bank indebtedness (note 6)	\$ 46,022	\$ -
Accounts payable and accruals (note 7)	28,982	56,911
Deferred revenue (note 8)	<u>9,000</u>	<u>90,852</u>
	<u>84,004</u>	<u>147,763</u>
NET ASSETS		
Unrestricted	(76,518)	(130,534)
Invested in capital assets	5,445	6,367
Restricted	<u>1,734</u>	<u>57</u>
	<u>(69,339)</u>	<u>(124,110)</u>
	<u><u>\$ 14,665</u></u>	<u><u>\$ 23,653</u></u>

Approved by the board:

Member

Member

RED DEER SYMPHONY ORCHESTRA

Statement of Changes in Net Assets

Year ended May 31, 2019

	Unrestricted	Invested in capital assets	Restricted	Total 2019	Total 2018
Balance, beginning of year	\$ (130,534)	\$ 6,367	\$ 57	\$ (124,110)	\$ (89,929)
Excess (deficiency) of revenues over expenses	<u>54,016</u>	<u>(922)</u>	<u>1,677</u>	<u>54,771</u>	<u>(34,181)</u>
Balance, end of year	<u>\$ (76,518)</u>	<u>\$ 5,445</u>	<u>\$ 1,734</u>	<u>\$ (69,339)</u>	<u>\$ (124,110)</u>

RED DEER SYMPHONY ORCHESTRA

Statement of Operations

Year ended May 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Unrestricted revenues (page 12)	<u>\$ 535,950</u>	<u>\$ 535,744</u>	<u>\$ 501,199</u>
Unrestricted cost of productions			
Musicians, soloists and benefits	131,571	111,915	147,262
Fundraising	64,250	42,482	37,208
Advertising in kind	50,000	25,705	79,546
Conductor salary	46,742	46,742	44,794
Other event production costs	41,541	55,936	45,141
Facilities rent	17,500	18,255	15,857
Sold services	-	15,286	10,831
Musicians travel	14,290	14,492	9,613
Advertising and marketing	7,800	6,826	8,500
Librarian	4,923	5,564	6,296
Music and royalties	4,558	3,322	7,496
Commission on ticket sales	4,000	2,991	4,600
	<u>387,175</u>	<u>349,516</u>	<u>417,144</u>
Gross margin from unrestricted operations	148,775	186,228	84,055
Unrestricted administrative expenses (page 13)	<u>142,646</u>	<u>133,134</u>	<u>117,603</u>
Excess (deficiency) of revenues over expenses from operations	<u>6,129</u>	<u>53,094</u>	<u>(33,548)</u>
Restricted income (expenses)			
Raffle and casino revenues	4,000	4,130	27,122
Musicians wages	-	-	(15,544)
Musicians salaries and travel costs	-	-	(6,740)
Facility rental	-	-	(3,355)
Fundraising	(2,000)	(2,453)	(158)
Administrative	-	-	(1,958)
	<u>2,000</u>	<u>1,677</u>	<u>(633)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 8,129</u>	<u>\$ 54,771</u>	<u>\$ (34,181)</u>

RED DEER SYMPHONY ORCHESTRA

Statement of Cash Flows

Year ended May 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from donors, governments, sponsors and ticket holders	\$ 439,903	\$ 527,406
Cash paid to suppliers and employees	(481,108)	(468,302)
Interest paid	(5,297)	(963)
Increase (decrease) in cash (deficiency)	(46,502)	58,141
Cash (deficiency), beginning of year	2,214	(55,927)
Cash (deficiency), end of year	\$ (44,288)	\$ 2,214
Cash (deficiency) consists of:		
Cash	\$ -	\$ 2,157
Restricted cash	1,734	57
Bank indebtedness	(46,022)	-
	\$ (44,288)	\$ 2,214

Excluded from the statement of cash flows are \$25,705 (2018 - \$79,546) of donations in kind received in the year.

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

1. Nature of Operations

Red Deer Symphony Orchestra ("the 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. Going Concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Association be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Currently, conditions exist that may cast doubt upon the validity of this assumption. The Red Deer Symphony Orchestra relies on funding from donations, sponsorships and grants and well attended symphony concerts to maintain its operations. The Association has incurred net losses in the previous three fiscal years which resulted in an accumulated operating deficit and as at year end, there is a significant shortfall of cash and other current assets in comparison to the Association's current liabilities. The continuing operations of the Association are dependent upon continued private and grant funding and well attended symphony concerts if the Association wishes to meet its future concert commitments and continue operating programs at its current level.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Association not be unable to continue its operations.

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

3. Significant Accounting Policies

The Association applies the Canadian accounting standards for not-for-profit organizations.

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 Alberta Gaming, Liquor and Cannabis.

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.

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: going concern assumption, 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.

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

3. Significant Accounting Policies, continued

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.

Financial instruments

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

4. Restricted Cash

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

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

5. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net</u>	<u>2018 Net</u>
Music library	\$ 9,711	\$ 4,266	\$ 5,445	\$ 5,931
Office equipment	7,240	7,240	-	-
Computer equipment	<u>3,630</u>	<u>3,630</u>	<u>-</u>	<u>436</u>
	<u>\$ 20,581</u>	<u>\$ 15,136</u>	<u>\$ 5,445</u>	<u>\$ 6,367</u>

6. 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 3.95%) plus 2.2%. A General Security Agreement and a personal guarantee by a former member of the Board of Director's has been provided as collateral.

7. Accounts Payable and Accruals

	<u>2019</u>	<u>2018</u>
Accounts payable and accruals	\$ 14,340	\$ 18,610
Wages and vacation payable	6,465	5,622
Payroll remittances payable	5,913	3,734
Goods and Services Tax payable	2,264	3,945
Short-term loan	<u>-</u>	<u>25,000</u>
	<u>\$ 28,982</u>	<u>\$ 56,911</u>

The Association previously received a \$25,000 short-term loan that was advanced from a company controlled by a board member that was repaid during the year. The loan was non-interest bearing with no set terms of repayment.

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

8. Deferred Revenue

	<u>2019</u>	<u>2018</u>
Alberta Foundation for the Arts - 2019 operations	\$ -	\$ 55,256
Deferred membership & ticket sales	-	35,596
City of Red Deer grant for symphony at the Snell	<u>9,000</u>	<u>-</u>
	<u>\$ 9,000</u>	<u>\$ 90,852</u>

The grants and other deferred revenue from the previous year were fully recognized in the current year.

9. Grants

	<u>2019</u>	<u>2018</u>
Alberta Foundation for the Arts	\$ 55,256	\$ 54,986
City of Red Deer	129,250	33,000
Canada Council for the Arts	<u>23,500</u>	<u>23,500</u>
	<u>\$ 208,006</u>	<u>\$ 111,486</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, 2018, the Red Deer Symphony Orchestra Legacy Fund market value was \$128,094 (2017 - \$132,809) and the Canadian Arts Heritage Sustainability Program Fund market value was \$80,809 (2017 - \$84,428). 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, 2018 are \$7,261 (2017 - \$7,211).

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

11. Commitments

The Association has a letter of understanding, expiring September 2021, in place with Red Deer College for the Main Stage rental for its performances. The \$2,000 fee per performance covers rental and stage crew only.

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.

12. Economic Dependence

Red Deer Symphony Orchestra is dependent on private donations and government grant funding 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.

RED DEER SYMPHONY ORCHESTRA

Notes to the Financial Statements

May 31, 2019

14. Budget Amounts

The 2019 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

Schedule of Unrestricted Revenues

Year ended May 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Grants	\$ 126,500	\$ 208,006	\$ 111,486
Membership and ticket sales	146,350	140,632	152,579
Sponsorship	130,500	56,255	46,697
Fundraising	42,000	41,616	40,462
Cash donations	20,000	31,535	31,158
Donations in kind	50,000	25,705	79,546
Sold services fees	-	15,095	17,649
Designated funds and interest income	7,600	7,813	7,287
Season program advertising	10,000	6,120	10,000
Goods and Services Tax rebate	3,000	2,967	4,335
	<u>\$ 535,950</u>	<u>\$ 535,744</u>	<u>\$ 501,199</u>

RED DEER SYMPHONY ORCHESTRA
Schedule of Unrestricted Administrative Expenses
Year ended May 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Wages and benefits	\$ 112,094	\$ 107,427	\$ 89,453
Professional fees	6,500	5,633	6,563
Interest and bank charges	5,300	5,297	7,199
Rent	3,875	3,859	3,733
Office	2,532	3,039	2,542
Insurance	2,300	2,127	2,164
Telephone, fax and internet	1,800	1,996	2,379
Promotion and advertising	6,875	1,927	1,035
Amortization	-	921	972
Affiliation fees and membership dues	710	596	675
Courier and shipping	660	312	888
	<u>\$ 142,646</u>	<u>\$ 133,134</u>	<u>\$ 117,603</u>