

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Financial Statements

Year Ended May 31, 2023



INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Red Deer Symphony Orchestra Association

We have reviewed the accompanying financial statements of Red Deer Symphony Orchestra Association (the Association) that comprise the statement of financial position as at May 31, 2023, and the statements of operations, changes in net assets 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 (ASNPO), 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.

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 Association as at May 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Red Deer, AB
September 15, 2023

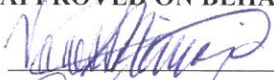
CHARTERED PROFESSIONAL ACCOUNTANTS

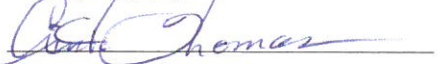
RED DEER SYMPHONY ORCHESTRA ASSOCIATION
Statement of Financial Position
May 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 193,695	\$ 209,529
Internally restricted cash <i>(Note 2)</i>	30,440	20,143
Restricted cash <i>(Note 3)</i>	3,989	3,173
Accounts receivable - unrestricted	24,564	31,205
Accounts receivable - restricted	79	-
Prepaid expenses	-	7,513
	252,767	271,563
CAPITAL ASSETS <i>(Note 4)</i>	3,502	3,988
	\$ 256,269	\$ 275,551
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 9,430	\$ 58,192
Deferred revenue <i>(Note 7)</i>	123,756	62,594
	133,186	120,786
NET ASSETS		
UNRESTRICTED	85,072	127,460
INVESTED IN CAPITAL ASSETS	3,501	3,987
RESTRICTED	4,070	3,175
INTERNALLY RESTRICTED	30,440	20,143
	123,083	154,765
	\$ 256,269	\$ 275,551

COMMITMENTS *(Note 10)*

APPROVED ON BEHALF OF THE BOARD

 _____ Member

 _____ Member

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Operations

Year Ended May 31, 2023

	Budget	2023	2022
UNRESTRICTED REVENUES <i>(Schedule 1)</i>	\$ 405,928	\$ 395,799	\$ 334,850
UNRESTRICTED COST OF PRODUCTIONS			
Musicians, soloists and benefits	96,723	75,845	730
Conductor salary	65,520	70,616	64,119
Online events	-	60,399	94,739
Other event production costs	17,300	29,508	1,690
Facilities rent	24,464	24,561	6,342
Advertising in kind	30,000	18,900	5,900
Fundraising	500	12,926	5,608
Musicians travel	18,569	12,394	-
Advertising and marketing	17,000	4,488	780
Librarian	2,200	2,755	350
Music and royalties	3,600	1,849	1,051
Personnel manager	3,612	375	1,503
	<u>279,488</u>	<u>314,616</u>	<u>182,812</u>
GROSS PROFIT	126,440	81,183	152,038
UNRESTRICTED ADMINISTRATIVE EXPENSES <i>(Schedule 2)</i>	<u>133,640</u>	<u>113,571</u>	<u>109,983</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(7,200)</u>	<u>(32,388)</u>	<u>42,055</u>
RESTRICTED INCOME (EXPENSES)			
Raffle and casino revenues	15,000	3,228	20,724
Interest income	-	297	-
Fundraising expenses	(7,800)	(2,333)	(2,087)
Musicians, soloists and benefits	-	-	(22,283)
	<u>7,200</u>	<u>1,192</u>	<u>(3,646)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (31,196)</u>	<u>\$ 38,409</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION
Statement of Changes in Net Assets
Year Ended May 31, 2023

	Unrestricted	Invested in Capital Assets	Restricted	Internally Restricted	2023	2022
NET ASSETS AT BEGINNING OF YEAR						
As previously reported	\$ 159,510	\$ 3,987	\$ 3,175	\$ 20,143	\$ 186,815	\$ 116,842
Correction of a prior period error (<i>Note 11</i>)	(32,050)	-	-	-	(32,050)	-
As restated	127,460	3,987	3,175	20,143	154,765	116,842
Excess (deficiency) of revenue over expenses	(32,388)	-	895	297	(31,196)	38,409
Amortization	-	(486)	-	-	(486)	-
Transfers from unrestricted	(10,000)	-	-	10,000	-	-
NET ASSETS AT END OF YEAR	\$ 85,072	\$ 3,501	\$ 4,070	\$ 30,440	\$ 123,083	\$ 154,765

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Statement of Cash Flows

Year Ended May 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from government assistance and donors	\$ 448,147	\$ 411,404
Cash paid to suppliers and employees	(449,008)	(282,720)
Interest paid	(3,860)	(1,075)
	<u>(4,721)</u>	<u>127,609</u>
INCREASE (DECREASE) IN CASH		
	(4,721)	127,609
CASH AT BEGINNING OF YEAR	<u>232,845</u>	<u>105,236</u>
CASH AT END OF YEAR	<u>\$ 228,124</u>	<u>\$ 232,845</u>
CASH CONSISTS OF:		
Cash	\$ 193,695	\$ 209,529
Internally restricted cash <i>(Note 2)</i>	30,440	20,143
Restricted cash <i>(Note 3)</i>	3,989	3,173
	<u>\$ 228,124</u>	<u>\$ 232,845</u>

Excluded from the statement of cash flows are \$21,000 (2022 - \$5,900) of donations in kind for advertising.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with 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 the Alberta Gaming and Liquor Commission.

Internally Restricted: represents internally restricted funds which the use of funds are subject to approval by the Association's board of directors.

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.

Government subsidies are recognized upon meeting eligibility criteria in the relevant subsidy period.

(continues)

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

1. SUMMARY OF 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: 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.

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
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Half a 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.

2. INTERNALLY RESTRICTED CASH

Internally restricted cash consists of a savings account restricted by the Association's board of directors, whereby use of these funds is only available for approved expenditures, as per the cash reserve policy.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

3. RESTRICTED CASH

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

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Music library	\$ 9,711	\$ 6,209	\$ 3,502	\$ 3,988

5. OPERATING LOAN

The Association has available a maximum \$25,000 line of credit. The line of credit bears interest at the bank's prime rate (currently 7.20%) plus 2.2% and is secured by a general security agreement. At year end, no amounts were drawn against the line of credit.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade payables and accruals	\$ 5,257	\$ 52,680
Government remittances payable	4,173	5,512
	\$ 9,430	\$ 58,192

7. DEFERRED REVENUE

	2023	2022
Alberta Federation of the Arts	\$ 52,398	\$ -
City of Red Deer	25,400	8,000
Seasonal tickets	23,375	-
Community Foundations of Canada	22,583	-
Government of Alberta	-	18,200
Canada Council for the Arts	-	36,394
	\$ 123,756	\$ 62,594

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

8. GRANTS

	2023	2022
Canada Council for the Arts	\$ 59,894	\$ 92,106
Alberta Foundations for the Arts	55,039	55,039
Government of Alberta	18,200	-
City of Red Deer	14,600	59,000
Community Foundations of Canada	6,794	3,294
ArtsVest	-	3,634
Rosza Foundation	-	11,500
	<u>\$ 154,527</u>	<u>\$ 224,573</u>

9. 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, 2022, the Red Deer Symphony Orchestra Lapalme Legacy Fund market value was \$128,188 (2021 - \$155,149) the Canadian Arts Heritage Sustainability Program Fund market value was \$80,858 (2021 - \$97,865). 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, 2022 are \$9,654 (2021 - \$6,641).

10. COMMITMENTS

The Association has a letter of understanding in place with Red Deer Polytechnic for the Main Stage rental for its performances totalling \$2,200 per performance which 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.

11. CORRECTION OF A PRIOR PERIOD ERROR

As a result of the correction of error in accounting for deferred revenue in prior year, the balance of the General Fund net assets at May 31, 2022 has been decreased by \$32,050, representing the amount by which deferred revenue at that date have increased. The \$32,050 is applicable to 2022 and earnings in that year have been decreased accordingly.

12. ECONOMIC DEPENDENCE

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

RED DEER SYMPHONY ORCHESTRA ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2023

13. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of May 31, 2023.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate operating loan and credit facilities.

14. BUDGET AMOUNTS

The 2023 budget amounts have not been audited or reviewed and are provided for information purposes only.

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Schedule of Unrestricted Revenues

(Schedule 1)

Year Ended May 31, 2023

	Budget	2023	2022
Grants <i>(Note 8)</i>	\$ 174,710	\$ 154,527	\$ 224,573
Membership and ticket sales	106,118	139,750	23,847
Cash donations	34,500	33,726	36,451
Sponsorship	45,000	28,450	17,000
Donations in kind	30,000	21,000	5,900
Designated funds and interest income	7,600	9,992	9,257
Season program advertising	8,000	6,482	-
Good and Services Tax rebate	-	1,872	27
Government subsidies	-	-	17,795
	<u>\$ 405,928</u>	<u>\$ 395,799</u>	<u>\$ 334,850</u>

RED DEER SYMPHONY ORCHESTRA ASSOCIATION

Schedule of Unrestricted Administrative Expenses

(Schedule 2)

Year Ended May 31, 2023

	Budget	2023	2022
EXPENSES			
Wages and benefits	\$ 104,032	\$ 85,864	\$ 68,352
Rent	9,300	8,270	7,289
Professional fees	7,000	4,750	19,550
Advertising and promotion	1,200	4,285	4,983
Interest and bank charges	3,100	3,860	1,075
Office	5,358	2,995	4,048
Insurance	2,040	1,815	2,129
Courier and shipping	660	822	273
Memberships and licences	650	488	363
Telephone	300	422	1,921
	<u>\$ 133,640</u>	<u>\$ 113,571</u>	<u>\$ 109,983</u>