The Banff Centre Foundation

Financial Statements

March 31, 2013

THE BANFF CENTRE FOUNDATION

Statement of Financial Position

As at March 31, 2013, with comparative information as of March 31, 2012 and April 1, 2011

(in thousands of dollars)

	March 31, 2013	March 31, 2012 (notes 2, 3)	April 1, 2011 (notes 2, 3)
Assets			
Current assets			
Cash	$ 3	$ 3	$ 3
Accounts and grants receivable	1,283	1,704	1,148
	1,286	1,707	1,151
Endowment investments (note 5)	11,354	7,773	4,979
	$ 12,640	$ 9,480	$ 6,130
Liabilities			
Current liabilities			
Amounts payable to The Banff Centre (note 7)	$ 71	$ 152	$ 71
Deferred flow-through funds	-	-	-
	71	152	71
Deferred contributions (note 8)	1,215	1,555	1,080
	1,286	1,707	1,151
Net assets			
Endowments (note 9)	11,354	7,773	4,979
Accumulated surplus	-	-	-
	11,354	7,773	4,979
	$ 12,640	$ 9,480	$ 6,130

The accompanying notes are an integral part of these financial statements.

Signed on behalf of The Banff Centre Foundation Board of Directors:

Chair, Board of Directors

President, The Banff Centre

THE BANFF CENTRE FOUNDATION

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2013, with comparative information for the year ended March 31, 2012

(in thousands of dollars)

	Foundation Operations	Flow-Through Funds	Total 2013	Total 2012
				(notes 2, 3)
Revenue				
Contributions	$ -	$ 5	$ 5	$ 100
Total revenue	-	5	5	100
Expense				
Distributions of flow-through contributions	-	5	5	100
Total expense	-	5	5	100
Excess (deficiency) of revenue over expense	-	-	-	-
Decrease in flow-through contributions	-	-	-	-
Change in accumulated surplus	-	-	-	-
Net assets, beginning of year	7,773	-	7,773	4,979
Endowment contributions and other transfers	2,778	-	2,778	3,008
Endowment earnings retained in the fund	205	-	205	90
Endowment gains (losses)	598	-	598	(304)
Net assets, end of year	$ 11,354	$ -	$ 11,354	$ 7,773

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE FOUNDATION

Statement of Cash Flows

For the year ended March 31, 2013, with comparative information for the year ended March 31, 2012
(in thousands of dollars)

	2013	2012 (notes 2, 3)
Operating Transactions		
Excess (deficiency) of revenue over expense	$ -	$ -
Changes in:		
Accounts and grants receivable	421	(556)
Amounts payable to The Banff Centre	(81)	81
Cash provided by (applied to) operating transactions	340	(475)
Investing Transactions		
Endowment earnings retained in the fund	256	(170)
Purchases of long-term investments, net of sales	(3,034)	(2,838)
Cash applied to investing transactions	(2,778)	(3,008)
Financing Transactions		
Endowment contributions and other transfers	2,778	3,008
Deferred contributions	(340)	475
Cash provided by financing transactions	2,438	3,483
Change in cash	-	-
Cash, beginning of year	3	3
Cash, end of year	$ 3	$ 3

The accompanying notes are an integral part of these financial statements.

Note 1 Authority and Purpose

Description of the Foundation and Related Parties

The Banff Centre Foundation (the "Foundation") is a corporation established for the sole purpose of supporting the activities of The Banff Centre (the "Centre"). The Foundation is a registered charity and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

The Centre is a corporation and registered charity which operates under the Post-Secondary Learning Act (Alberta) providing public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment. The Foundation and the Centre are related parties, and all administrative services required by the Foundation are provided by the Centre. The value of these services is not readily determinable and therefore is not included in these financial statements.

Flow-through Funds

These funds are amounts contributed to the Foundation for the benefit and use of the Centre in accordance with donor restrictions. These funds are not to be maintained in perpetuity. Flow-through funds that are not disbursed in the year of receipt are recorded as a liability until the funds are disbursed to the Centre.

Note 2 Conversion to Public Sector Accounting Standards

Beginning with the 2012-2013 fiscal year, the Foundation adopted the Canadian Public Sector Accounting Standards ("PSAS") as issued by the Public Sector Accounting Board, including the PS 4200 series of standards for government not-for-profit organizations. These financial statements are the first financial statements for which the Foundation has applied PSAS.

In accordance with PSA Handbook Section PS 2125 - First-Time Adoption by Government Organizations, the date of transition to the new standards is April 1, 2011. The Foundation has presented an opening statement of financial position at this date, and in accordance with the standards has:

- recognized all assets and liabilities whose recognition is required by the standards
- did not recognize items as assets or liabilities if the standards do not permit recognition
- reclassified items that it recognized previously as one type of asset, liability or component of net assets, but that are recognized as a different type of asset, liability or component of net assets under the standards; and
- applied the standards in measuring all recognized assets and liabilities

In accordance with the requirements of PS 2125, the accounting policies set out in Note 4 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retroactively with the exception of any optional exemptions and any accounting standards requiring prospective application.

The adoption of PSAS is accounted for by retroactive application of the standards with a restatement of prior years, except for the accounting standards contained in PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments, as these standards specifically prohibit retroactive application.

For the Foundation there is no impact of the conversion to PSAS on the accumulated surplus as of April 1, 2011 (the date of transition), the comparative surplus at April 1, 2012 (the date of adoption), the change in accumulated surplus for the year ended March 31, 2012 and the associated cash flows.

Amounts due to the Foundation under the Department of Canadian Heritage matching grant program that were previously recorded as pledges receivable have been reclassified as grants receivable to reflect the contractual nature of this receivable as shown in Schedule 1. This accounting change has been applied retroactively with restatement of prior periods.

Note 3 Adoption of New Accounting Standards

Portfolio investments

As of April 1, 2012, the Foundation adopted PSA Handbook Section 3041 - Portfolio Investments. This section establishes standards on how to account for and report portfolio investments. This standard is applicable to the fiscal year in which PSA Handbook Sections 2601 - Foreign Currency Translation, 3450 - Financial Instruments and 1201 - Financial Statement Presentation are adopted. The standard refers to Section 3450 - Financial Instruments for recognition and measurement of investments held by the Foundation.

Financial instruments

As of April 1, 2012, the Foundation adopted PSA Handbook Section 3450 - Financial Instruments. This section provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provision in the standard states that when an organization applies this standard in the same year that it adopts PSAS for the first time, the standard can not be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the Foundation immediately preceding its adoption of PSAS.

Foreign currency

As of April 1, 2012, the Foundation adopted PSA Handbook Section 2601 - Foreign Currency Translation. This section establishes standards on how to account for and report transactions that are denominated in a foreign currency. The transitional provision in the standard states that when an organization applies this standard in the same year that it adopts PSAS for the first time, the standard can not be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the Foundation immediately preceding its adoption of PSAS.

Financial statement presentation

As of April 1, 2012, the Foundation adopted PSA Handbook Section 1201 - Financial Statement Presentation. This section establishes general reporting principles and standards for the disclosure of information in financial statements and is applicable to fiscal years in which PSA Handbook Sections 2601 - Foreign Currency Translation and 3450 - Financial Instruments are adopted. These standards are applied in addition to other relevant sections of the PSA Handbook, which for the Foundation includes the PS 4200 series of standards for government not-for-profit organizations.

Note 4 Summary of Significant Accounting Policies and Reporting Practices

PSAS and use of estimates

These financial statements have been prepared in accordance with PSAS, including the 4200 series of standards. At March 31, 2013 and March 31, 2012 no amounts were subject to significant measurement uncertainty. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

Non-use of net debt model format

PSAS requires a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Foundation operates for the sole benefit of the Centre which does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of financial assets and liabilities

The Foundation's financial assets and liabilities are generally measured as follows:

Cash and cash equivalents	Amortized cost
Investments	Fair value
Accounts and grants receivable	Amortized cost
Accounts payable	Amortized cost

Unrealized gains and losses from changes in the fair value of financial instruments that are restricted for endowment are recognized as changes in endowment net assets. Interest and dividends attributable to financial instruments held by the endowment are recognized as changes in endowment net assets or amounts payable to the Centre.

All financial assets are tested annually for impairment. Any write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Revenue recognition

All revenues are reported using the accrual basis of accounting. Investment income is recognized when earned.

The Foundation follows the deferral method of accounting for contributions and recognizes donations and grants as described below.

Donations are received from individuals, corporations, and private sector not-for-profit organizations. These funds may be unrestricted or restricted for operating or endowment purposes.

Unrestricted contributions are recognized as revenue when received or in the year the funds are committed to the Foundation if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings be retained as net assets or that the contributions not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to acquire non-amortizable property. Realized and unrealized gains and losses and investment earnings attributable to these funds that must be maintained in perpetuity are also recognized as a direct increase in endowment net assets.

Externally restricted capital contributions are recorded as deferred contributions until the amounts are invested in capital assets. External funds invested in capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of amortization expense and capital contributions revenue would be matched to indicate that the amortization expense has been funded externally.

Investment income includes dividend and interest income, and realized gains or losses on the sale of investments.

In-kind donations of services and materials that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Foreign currency translation

Financial assets and liabilities recorded in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Revenues and expenses are translated when recorded during the year using the prior month-end exchange rates. In the period of settlement, realized gains and losses from these translations are included in investment income.

Note 5 Endowment Investments

	2013	2012
Items at amortized cost:		
Cash and cash equivalents	$ 505	$ 341
Items at fair value:		
Government bonds	1,464	-
Corporate bonds	2,918	3,116
Equities	6,535	4,465
	11,422	7,922
Endowment earnings and other payables	(68)	(149)
	$ 11,354	$ 7,773

Substantially all items at fair value are considered Level 1 items and measured based on quoted prices in active markets for identical assets. The values of items at amortized cost approximate the fair values of those items.

Note 6 Financial Risk Management

The Foundation is exposed to a variety of financial risks, including market risks (price risk, currency risk and interest rate risk), credit risk, and liquidity risk. To manage these risks, the Foundation invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The long-term objective of the Foundation's investment policies is to achieve a long-term real rate of return in excess of fees and expenses and maintain the real value of the funds.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all investments. To manage this risk, the Foundation has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement.

In early April 2013, subsequent to the date of these financial statements, the Foundation disposed of all holdings in its endowment portfolio due to a change in its external investment management services. Reinvestment of the sale proceeds in various pooled funds reflects a similar asset mix in accordance with the Foundation's investment policies. Future sensitivity to market risk will be determined based on these recent additions to the endowment portfolios.

Currency risk

Currency risk on investments is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The significant holdings denominated in foreign currencies are in US dollars, with smaller amounts in other foreign currencies that are not significant to the portfolio as a whole.

The impacts of changes in the value of US dollar foreign currencies are as follows:

	Fair Value	5% decrease	1% decrease	1% increase	5% increase
US dollar investments	$2,235,812	$2,124,125	$2,213,562	$2,258,062	$2,347,499

Interest rate risk

Interest rate risk is the risk to the Foundation's earnings that arises from the fluctuation and degree of volatility in those rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments held by the Foundation.

The maturities of interest-bearing investments held by the Foundation are as follows:

	< 1 year	1-5 years	> 5 years	average market yield
	%	%	%	%
Canadian government and corporate bonds	48.7	13.7	37.6	1.7

Credit risk

The Foundation is exposed to credit risk on investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk, the Foundation has established an investment policy with required minimum credit quality standards and issuer limits.

The credit risks on investments held by the Foundation are as follows:

	2013	2012
	%	%
A or higher	86.0	80.0
BBB	14.0	20.0

Liquidity risk

The Foundation currently has no significant cash flow requirements which can not be met from proceeds on the sale of investments and as such has little liquidity risk.

Note 7 Amounts Payable to The Banff Centre

When the Foundation began its operations, the Centre loaned $3,000 to the Foundation to cover miscellaneous operating expenses. The loan is non-interest bearing and has no fixed terms of repayment. At March 31, 2013 an additional $68,000 (2012 - $149,000) is due to the Centre for the distribution of endowment eamings available for spending.

Note 8 Deferred Contributions

	2013	2012
Deferred contributions, beginning of year	$ 1,555	$ 1,080
Contributions:		
Grants receivable	1,215	1,555
Transferred to endowment	(1,555)	(1,080)
Distributed endowment eamings	75	175
Endowment eamings retumed to the fund	(7)	(26)
Payable to The Banff Centre:		
Endowment eamings available for spending	(68)	(149)
Deferred contributions, end of year	1,215	1,555
Current portion of deferred contributions	-	-
	$ 1,215	$ 1,555

Note 9 Endowments

	2013	2012
Endowments, beginning of year	$ 7,773	$ 4,979
Contributions and other transfers	2,778	3,008
Investment income	280	265
Net gains (losses)	598	(304)
Distribution of earnings available for spending	(75)	(175)
Endowments, end of year	$ 11,354	$ 7,773

Through March 31, 2013, the Centre has transferred $6,434,000 (2012 - $5,219,000) of endowment contributions to the Foundation in accordance with the terms of an application for matching funds from Canadian Heritage under the Endowment Incentives program. These contributions and any matching funds will be held by the Foundation and managed as a permanent endowment for the sole benefit of the Centre.

Endowments consist of externally restricted donations received by the Foundation or the Centre and are managed in accordance with the terms of the agreements with the individual donors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. Benefactors as well as the Foundation's policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the Post-Secondary Learning Act, the Foundation, as delegated by The Banff Centre, has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment

- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Directors, the encroachment benefits the Foundation and does not impair the long-term value of the fund

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative earnings reinvested in the funds. However, for individual endowment funds without sufficient cumulative reinvested earnings, endowment principal may be used in that year. This amount is expected to be recovered by future investment income.

THE BANFF CENTRE FOUNDATION

Schedule of Transition to Public Sector Accounting Standards

For the year ended March 31, 2013

(in thousands of dollars) Schedule 1

a) Reconciliation of the April 1, 2011 Statement of Financial Position

	April 1, 2011 GAAP	Grants Receivable (1)	April 1, 2011 PSAS
Assets			
Cash	$ 3	$	$ 3
Accounts and grants receivable	68	1,080	1,148
Pledges receivable	1,080	(1,080)	-
Endowment investments	4,979		4,979
	$ 6,130	$ -	$ 6,130
Liabilities			
Amounts payable to The Banff Centre	$ 71	$	$ 71
Deferred flow-through funds	-		-
Deferred contributions	1,080		1,080
	1,151	-	1,151
Net Assets			
Endowments	4,979		4,979
Accumulated surplus	-		-
	4,979	-	4,979
	$ 6,130	$ -	$ 6,130

(1) reclassification of grants receivable

THE BANFF CENTRE FOUNDATION

Schedule of Transition to Public Sector Accounting Standards (cont'd)
For the year ended March 31, 2013
(in thousands of dollars) Schedule 1

b) Reconciliation of the March 31, 2012 Statement of Financial Position

	March 31, 2012 GAAP	Grants Receivable (1)	March 31, 2012 PSAS
Assets			
Cash	$ 3	$	$ 3
Accounts and grants receivable	149	1,555	1,704
Pledges receivable	1,555	(1,555)	-
Endowment investments	7,773		7,773
	$ 9,480	$ -	$ 9,480
Liabilities			
Amounts payable to The Banff Centre	$ 152	$	$ 152
Deferred flow-through funds	-		-
Deferred contributions	1,555		1,555
	1,707	-	1,707
Net Assets			
Endowments	7,773		7,773
Accumulated surplus	-		-
	7,773	-	7,773
	$ 9,480	$ -	$ 9,480

(1) reclassification of grants receivable

THE BANFF CENTRE FOUNDATION

Schedule of Transition to Public Sector Accounting Standards (cont'd)
For the year ended March 31, 2013
(in thousands of dollars) Schedule 1

c) Reconciliation of the March 31, 2012 Statement of Operations and Changes in Net Assets

	2012 GAAP	Adjustments	2012 PSAS
Revenue			
Contributions	$ 100	$	$ 100
Total revenue	100	-	100
Expense			
Distributions of flow-through contributions	100		100
Total expense	100	-	100
Excess (deficiency) of revenue over expense	-	-	-
Decrease in flow-through contributions	-	-	-
Change in accumulated surplus	-	-	-
Net assets, beginning of year	4,979		4,979
Endowment contributions and other transfers	3,008		3,008
Endowment earnings retained in (distributed from) the fund	90		90
Endowment gains (losses)	(304)		(304)
Net assets, end of year	$ 7,773	$ -	$ 7,773