The Banff Centre Foundation

Financial Statements

March 31, 2014

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
The Banff Centre Foundation

We have audited the accompanying financial statements of The Banff Centre Foundation, which comprise the statement of financial position as at March 31, 2014, and the statement of operations and changes in net assets , and the statement of 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 consolidated financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Banff Centre Foundation as at March 31, 2014, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants
May 30, 2014

THE BANFF CENTRE FOUNDATION

Statement of Financial Position

As at March 31, 2014

(in thousands of dollars)

	March 31, 2014	March 31, 2013 (restated - note 3)
Assets		
Current assets		
Cash	$ 3	$ 3
Accounts and grants receivable	2,081	1,283
	2,084	1,286
Investments (note 4)	17,088	11,354
	$ 19,172	$ 12,640
Liabilities		
Current liabilities		
Amounts payable to The Banff Centre (note 6)	$ 321	$ 71
Deferred flow-through funds	-	-
	321	71
Net assets		
Endowments (note 7)	18,851	12,569
Accumulated surplus	-	-
	18,851	12,569
	$ 19,172	$ 12,640

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, 2014

(in thousands of dollars)

	Foundation Operations	Flow-Through Funds	Total 2014	Total 2013 (restated - note 3)
Revenue				
Contributions	$ -	$ -	$ -	$ 5
Total revenue	-			5
Expense				
Distributions of flow-through contributions		-	-	5
Total expense	-	-	-	5
Excess (deficiency) of revenue over expense	-	-	-	-
Decrease in flow-through contributions	-	-	-	-
Change in accumulated surplus	-	-	-	-
Net assets, beginning of year	12,569	-	12,569	9,328
Endowment contributions and other transfers	3,987	-	3,987	2,438
Endowment investment income retained in the fund	61	-	61	205
Endowment net capital gains	2,234	-	2,234	598
Net assets, end of year	$ 18,851	$ -	$ 18,851	$ 12,569

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, 2014

(in thousands of dollars)

	2014	2013 (restated - note 3)
Operating Transactions		
Excess (deficiency) of revenue over expense	$ -	$ -
Changes in:		
Accounts and grants receivable	(250)	81
Amounts payable to The Banff Centre	250	(81)
Cash provided by (applied to) operating transactions	-	-
Investing Transactions		
Endowment investment return, net of distributions	2,101	256
Purchases of long-term investments, net of sales	(5,540)	(3,034)
Cash applied to investing transactions	(3,439)	(2,778)
Financing Transactions		
Endowment contributions and other transfers	3,439	2,778
Cash provided by financing transactions	3,439	2,778
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 Summary of Significant Accounting Policies and Reporting Practices

Public sector accounting standards ("PSAS") and use of estimates

These financial statements have been prepared in accordance with PSAS, including the 4200 series of standards. At March 31, 2014 and March 31, 2013, 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.

These financial statements do not include a statement of remeasurement gains and losses as there are no items to report for the Foundation.

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. The purchases and sales of cash, cash equivalents and investments are accounted for using trade-date accounting.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

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.

(tabular amounts in thousands of dollars)

Note 3 Restatement of Prior Period Amounts

In prior years, the Foundation accounted for receivables of government matching grants restricted for the endowment as deferred contributions until payment was received, at which time the amount was added to endowment net assets. To better reflect the ultimate disposition of the funds and related endowment net asset balances, these matching grants will be treated as additions to endowment net assets when the grants are received or receivable.

These changes have been applied retroactively with restatement of comparative amounts. The impacts on prior years' financial statements as a result of this restatement are as follows:

	2013		
	As previously recorded	Increase (Decrease)	As restated
Statement of Financial Position			
Long-term deferred contributions	$ 1,215	$ (1,215)	$ -
Endowment net assets	$ 11,354	$ 1,215	$ 12,569
Statement of Operations and Changes in Net Assets			
Net assets, beginning of year	$ 7,773	$ 1,555	$ 9,328
Endowment contributions and other transfers	$ 2,778	$ (340)	$ 2,438
Net assets, end of year	$ 11,354	$ 1,215	$ 12,569
Statement of Cash Flows			
Change in accounts and grants receivable	$ 421	$ (340)	$ 81
Long-term deferred contributions	$ (340)	$ 340	$ -

Note 4 Investments

	2014	2013
Items at amortized cost:		
Cash and cash equivalents	$ -	$ 505
Items at fair value:		
Government bonds	-	1,464
Corporate bonds	-	2,918
Equities and pooled funds	17,406	6,535
	17,406	11,422
Endowment earnings payable to the Centre	(318)	(68)
	$ 17,088	$ 11,354

Equity investments are considered Level 1 items and are measured based on quoted prices in active markets for identical assets.

The remaining investments carried at fair value are Level 2 items and are measured based on market inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices.

(tabular amounts in thousands of dollars)

Note 5 Financial Risk Management

The Foundation is exposed to a variety of financial risks, including market risks (price risk, foreign 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.

The Foundation's investment portfolio includes a single pooled fund holding in which the Foundation has an equity interest represented by units in the pooled fund and any distributions from the fund. The pooled fund investment consists of several underlying pooled fund holdings of cash and cash equivalents, Canadian bonds, and Canadian, U.S. and international equities.

At March 31, 2014, the impact of a change in the rate of return on the investment portfolio is as follows:

- a 7.49% change in pooled fund investments would result in a $1,250,000 increase or decrease

Foreign currency risk

The Foundation's pooled fund units are denominated in Canadian dollars, and as such, changes in the value of the various underlying investments in foreign currencies will be reflected in the value of the pooled fund units.

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. The Foundation is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pooled fund. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments held by the Foundation. Bonds are affected indirectly as they are subject to fluctuations in market values.

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:

	2014	2013
	%	%
A or higher	90.8	86.0
BBB	9.2	14.0

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.

(tabular amounts in thousands of dollars)

Note 6 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, 2014 an additional $318,000 (2013 - $68,000) is due to the Centre for the distribution of endowment earnings available for spending.

Note 7 Endowments

		2014		2013
Endowments, beginning of year	$	12,569	$	9,328
Contributions and other transfers		3,987		2,438
Investment income		381		280
Net capital gains		2,234		598
Distribution of earnings available for spending		(320)		(75)
Endowments, end of year	$	18,851	$	12,569

Through March 31, 2014, the Centre has transferred $8,434,000 (2013 - $6,434,000) 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 earnings.