The Banff Centre Foundation
FINANCIAL STATEMENTS
March 31, 2017

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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, 2017, and the statements of changes in net assets and cash flows for the year 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 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, 2017 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
May 29, 2017

THE BANFF CENTRE FOUNDATION
Statement of Financial Position
As at March 31, 2017
(in thousands of dollars)

		2017		2016
Assets				
Current assets				
Cash	$	3	$	3
Investments (note 3)		-		6,215
		3		6,218
Long-term investments (note 3)		34,930		30,733
	$	34,933	$	36,951
Liabilities				
Current liabilities				
Payable to Banff Centre (note 5)	$	-	$	6,215
Long-term payable to Banff Centre (note 5)		4,116		2,688
		4,116		8,903
Net assets				
Endowments (note 6)		30,817		28,048
	$	34,933	$	36,951

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 and CEO, The Banff Centre

THE BANFF CENTRE FOUNDATION
Statement of Changes in Net Assets
For the year ended March 31, 2017
(in thousands of dollars)

		2017		2016
Net assets, beginning of year	$	28,048	$	34,183
Endowment contributions and other transfers (note 6)		2,769		3,129
Endowment investment earnings (note 6)		-		780
Endowment distributions to Banff Centre (note 6)		-		(1,144)
Endowment cumulative undistributed investment earnings reclassified to Banff Centre payable (note 6)		-		(8,900)
Net assets, end of year	$	30,817	$	28,048

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, 2017
(in thousands of dollars)

	2017	2016
Investing Transactions		
Realized endowment investment earnings	$ 1,807	$ 1,401
Net sales (purchases) of long-term investments	2,798	(5,500)
	4,605	(4,099)
Financing Transactions		
Payments to Banff Centre	(7,374)	-
Endowment contributions and other transfers	2,769	4,099
	(4,605)	4,099
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

(a) Description of The Banff Centre 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 (operating as "Banff Centre for Arts and Creativity") ("Banff Centre"). The Foundation is a registered charity, and under section 149 of the Income Tax Act (Canada), is exempt from income tax.

Banff Centre is a corporation and registered charity that operates under the Post-Secondary Learning Act (Alberta) and provides 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 Banff Centre are related parties, and all administrative services required by the Foundation are provided by Banff Centre. The value of these services is not readily determinable and therefore is not included in these financial statements.

(b) Flow-through funds

These funds are amounts contributed to the Foundation for the benefit and use of Banff 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 Banff Centre.

Note 2 Summary of significant accounting policies and reporting practices

(a) 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. The preparation of these financial statements requires the use of estimates, which may vary from actual results. The Foundation's management uses judgment to determine such estimates, the most significant being the fair value of investments. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(b) Valuation of financial assets and liabilities

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

Cash	Amortized cost
Long-term investments	Fair value
Payable to Banff Centre	Amortized cost

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and investments are accounted for using trade-date accounting.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(c) Revenue recognition

All revenues are reported using the accrual basis of accounting.

Endowment contributions are received from individuals, corporations, and private sector not-for-profit organizations. These funds are restricted for endowment purposes and are recorded as direct increases in net assets. Investment earnings attributable to these funds that must be maintained in perpetuity are also recognized as a direct increase in net assets.

Investment earnings include dividend and interest income, realized gains or losses on the sale of investments and unrealized gains or losses on the sale of investments. With the adoption of the new Endowment Management Guidelines towards the end of the fiscal year ended March 31, 2016 (see note 6), investment earnings are recorded as direct increases to the payable to Banff Centre. Prior to adoption of the new Endowment Management Guidelines, investment earnings were recorded as direct increases to net assets.

Flow-through funds received are recorded as direct increases to the Banff Centre payable.

(d) Foreign currency transation

Transactions in foreign currencies are translated to Canadian dollars using estimated exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Canadian dollars using the month-end exchange rate. Foreign currency differences arising on retranslation are recognized in earnings.

(e) Future accounting changes

The Public Sector Accounting (PSA) Handbook was previously written primarily to address the financial reporting needs of governments in Canada. With the broadened scope of the PSA Handbook to include government organizations that previously reported under Part V of the CPA Handbook, it was necessary to update the introduction to clarify the applicability of the PSA Handbook to various public sector entities. The new introduction is applicable for fiscal years beginning on or after January 1, 2017.

In March 2015, the Public Sector Accounting Board issued PS 2200 Related Party Disclosures (which does not apply to the Foundation) and PS 3420 Inter-entity Transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent Assets, PS 3380 Contractual Rights, and PS 3430 Restructuring Transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

PS 3420 - Inter-entity Transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210 - Assets provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets.

PS 3320 - Contingent Assets defines and establishes disclosure standards for contingent assets.

PS 3380 - Contractual Rights defines and establishes disclosure standards for contractual rights.

(in thousands of dollars, except where specifically expressed in millions)

Note 2 Summary of significant accounting policies and reporting practices (continued)

(e) Future accounting changes (continued)

PS 3430 - Restructuring Transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

Management is currently assessing the impact of these new standards on the financial statements.

Note 3 Long-term investments

	2017	2016
Investments, restricted for endowment	$ 30,817	$ 28,048
Investments, restricted for Banff Centre	4,113	8,900
	34,930	36,948
Current portion	-	6,215
Long-term investments	$ 34,930	$ 30,733
Items at fair value:		
Cash and cash equivalents	$ 2,442	$ 3,972
Canadian government bonds	4,359	7,512
Corporate bonds	6,883	4,509
Equity investments	21,246	20,955
	$ 34,930	$ 36,948

The Foundation's investment portfolio consists of 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 government bonds, corporate bonds and Canadian, U.S. and international equities. The pooled fund holdings have been allocated accordingly to these categories above.

See note 4 for explanation of fair value measurements. Investments other than bonds and other fixed income investments are considered Level 1 items where fair value is measured based on quoted prices in active markets for identical investments. Bonds and other fixed income investments included in cash and cash equivalents are Level 2 items where fair value is measured based on market inputs other than quoted prices included in Level 1 that are observable for the investments either directly or indirectly.

Note 4 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, primarily in relation to investments. 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 maximize the purchasing power of investment assets and future endowment contributions after meeting ongoing disbursment requirements. The specific financial objectives include the provision of stable and consistent income to meet the goals of Banff Centre, capital appreciation (without undue risk) such that investments continue to grow over time in real terms, and minimization of risk through diversification.

The Foundation does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(a) Price risk

Price 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 instrument, its issuer or general market factors affecting all instruments. To manage this risk for investments, the Foundation has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement.

Investments are disclosed in note 3. Price risk is most significant in relation to equity investments, where each 1% change in value would have an impact of $212.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The following table provides the carrying value of long-term investments denominated in various currencies and the sensitivity to a 1% change in currency value:

	Carrying value	Impact of 1% change
Canadian denominated investments	$ 19,392	$ -
US denominated investments	7,871	79
Investments denominated in other currencies	7,667	77
	$ 34,930	$ 156

(c) 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. Interest rate risk in relation to investments in bonds is insignificant given that the rates are primarily fixed over longer terms. Changes in interest rates will, however, impact the market price of bonds. Interest rate risk in relation to other interest bearing instruments, including cash and cash equivalents, exists given the relative short term to maturity, but the risk is not significant given the carrying value is less than $3 million.

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

	< 1 year	1-5 years	> 5 years	Average market yield
	%	%	%	%
Money market funds	100.0	-	-	0.55
Government and corporate bonds	1.5	16.2	82.3	2.08

(d) 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:

	2017	2016
A or higher	87.0%	90.0%
BBB	13.0%	10.0%

(e) Liquidity risk

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

(in thousands of dollars, except where specifically expressed in millions)

Note 4 Financial risk management (continued)

(f) Fair value

When measuring the fair value of an asset or liability, the Foundation uses market observable data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Foundation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 5 Payable to Banff Centre

	2017	2016
Balance, beginning of year	$ 8,903	$ 3
Investment earnings accruing to Banff Centre	2,587	-
Amounts paid to Banff Centre	(7,374)	-
Endowment cumulative undistributed investment earnings reclassified to Banff Centre payable (note 6)	-	8,900
Balance, end of year	4,116	8,903
Current portion	-	6,215
Long-term payable to Banff Centre	$ 4,116	$ 2,688

(in thousands of dollars, except where specifically expressed in millions)

Note 6 Endowments

		2017		2016
Endowments, beginning of year	$	28,048	$	34,183
Contributions and other transfers		2,769		3,129
Investment earnings		-		780
Distributions to Banff Centre		-		(1,144)
Cumulative undistributed investment earnings reclassified to Banff Centre payable (see explanation below)		-		(8,900)
Endowments, end of year	$	30,817	$	28,048

Through March 31, 2017, Banff Centre has transferred cumulatively $11.3 million (2016 - $10.4 million) 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. All endowment contributions, including these matching funds, will be held by the Foundation and managed as permanent endowments for the sole benefit of Banff Centre.

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

Investment earnings on endowments must be used in accordance with the various purposes established by the donors or Banff Centre's Board of Governors.

Towards the end of the fiscal year ended March 31, 2016, the Foundation adopted revised Endowment Management Guidelines, which provide direction for all endowment funds held and restricted for the benefit of Banff Centre. The objectives of these Endowment Management Guidelines are:

> To administer endowment funds in compliance with the endowment terms and all laws and regulations governing these funds, including (where applicable) Section 76 the Alberta Post-Secondary Learning Act, which includes provisions allowing the Foundation to pool endowment funds for investment purposes and to regulate the distribution of earnings on endowments.
>
> To administer endowments with the intent that annual spending requirements will be met while protecting as much of the purchasing power of the original endowment funds as possible.
>
> To ensure endowment expenditures are made in accordance with all relevant restrictions.

Endowment net assets include all endowment contributions, matching contributions and other amounts designated as such by Banff Centre. Through the revision of the Endowment Management Guidelines adopted late in fiscal 2016, it was clarified that undistributed investment earnings on endowment principal are externally restricted for the purposes intended by the donors rather than permanently endowed. Unless explicitly restricted for endowment, investment earnings in fiscal 2017, and going forward, flow directly through the payable to Banff Centre. The revised Endowment Management Guidelines were applied to cumulative endowment contributions, and upon adoption in fiscal 2016 a one-time movement of cumulative undistributed investment earnings totaling $8.9 million from endowment net assets to the payable to Banff Centre was required.

Under the Alberta Post-Secondary Learning Act*,* the Foundation, as delegated by 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 Governors of Banff Centre, the encroachment benefits Banff Centre and does not impair the long-term value of the fund.