

TORONTO ARTS FOUNDATION

Financial Statements

December 31, 2019

TORONTO ARTS FOUNDATION

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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Toronto Arts Foundation

Opinion

We have audited the financial statements of Toronto Arts Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report to the Directors of Toronto Arts Foundation *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hogg, Shain & Scheck PC

Toronto, Ontario
May 20, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

TORONTO ARTS FOUNDATION

Statement of Financial Position

As at December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 508,023	\$ 374,979
Accounts receivable (Note 4)	98,595	98,502
Harmonized Sales Tax recoverable	58,336	47,372
Due from Toronto Arts Council (Note 3)	1,679	-
Prepaid expenses	2,800	38,304
	669,433	559,157
INVESTMENTS (Note 4)	2,140,341	1,909,705
CAPITAL ASSETS (Note 5)	504	1,260
	\$ 2,810,278	\$ 2,470,122
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 30,685	\$ 13,584
Due to East End Arts (Note 9)	11,153	91,372
Deferred revenues (Note 6)	193,500	168,400
Due to Toronto Arts Council (Note 3)	-	3,073
	235,338	276,429
NET ASSETS		
UNRESTRICTED	2,574,940	2,193,693
	\$ 2,810,278	\$ 2,470,122

COMMITMENT (Note 10)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See the accompanying notes to these financial statements

TORONTO ARTS FOUNDATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2019

	2019	2018
REVENUES		
Mayor's Evening for the Arts <i>(Note 8)</i>	\$ 1,487,779	\$ 613,212
Grants and donations <i>(Notes 3 and 9)</i>	439,734	595,009
Investment income (loss) <i>(Note 4)</i>	243,405	(42,871)
Arts Awards <i>(Note 8)</i>	153,720	162,869
Endowment income <i>(Note 7)</i>	1,700	1,733
	<u>2,326,338</u>	<u>1,329,952</u>
EXPENSES		
Program delivery	1,017,136	1,164,172
Mayor's Evening for the Arts <i>(Note 8)</i>	649,132	206,932
Arts Awards <i>(Note 8)</i>	135,766	133,455
Grants to Toronto Arts Council <i>(Note 3)</i>	75,000	75,000
Contributions to North York Arts <i>(Note 10)</i>	50,000	50,000
Investment management fees	17,301	15,842
Amortization	756	16,575
	<u>1,945,091</u>	<u>1,661,976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	381,247	(332,024)
NET ASSETS - BEGINNING OF YEAR	<u>2,193,693</u>	<u>2,525,717</u>
NET ASSETS - END OF YEAR	<u>\$ 2,574,940</u>	<u>\$ 2,193,693</u>

See the accompanying notes to these financial statements

TORONTO ARTS FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 381,247	\$ (332,024)
Items not affecting cash:		
Amortization	756	16,575
Decrease (increase) in fair value of investments	(186,718)	94,430
	195,285	(221,019)
Changes in non-cash working capital:		
Accounts receivable	(93)	(45,254)
Harmonized Sales Tax recoverable	(10,964)	4,623
Due from (to) Toronto Arts Council	(4,752)	7,331
Prepaid expenses	35,504	(33,976)
Accounts payable and accrued liabilities	17,101	(9,813)
Due to East End Arts	(80,219)	91,372
Deferred revenues	25,100	(114,300)
Due to North York Arts	-	(25,000)
	(18,323)	(125,017)
Cash flows from (used by) operating activities	176,962	(346,036)
INVESTING ACTIVITY		
Purchases of investments, net	(43,918)	(33,658)
Cash flows used by investing activity	(43,918)	(33,658)
INCREASE (DECREASE) IN CASH	133,044	(379,694)
CASH - BEGINNING OF YEAR	374,979	754,673
CASH - END OF YEAR	\$ 508,023	\$ 374,979

See the accompanying notes to these financial statements

TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

1. NATURE AND PURPOSE OF THE ORGANIZATION

The Toronto Arts Foundation (the “Foundation”) was incorporated under the name Toronto Arts Council Foundation as a corporation without share capital under the Corporations Act of Ontario, and Letters Patent of Incorporation were issued by the Ministry of Consumer and Commercial Relations on July 5, 1995. The objectives of the Foundation are:

- To receive and maintain a fund or funds, and to apply all or part of the principal and income, for charitable purposes including, without limiting the generality of the foregoing:
 - i) To provide, through the Toronto Cultural Advisory Corporation (“Toronto Arts Council”) and other appropriate organizations, for grants, gifts, awards, donations, loans and other forms of financial support to artistic and cultural organizations in the City of Toronto to further the study and enjoyment of the arts and culture and to assist in the development of the artistic and cultural life in the City of Toronto;
 - ii) To make or award scholarships, gifts or awards to individuals for outstanding accomplishments and contributions to, the arts and the artistic and cultural life in the City of Toronto; and
 - iii) To produce Artsweek, to undertake awareness, communication and/or promotional services to the benefit of artistic and cultural organizations in the City of Toronto.
- The establishment of a Toronto-based repository for legacies and other gifts from individuals, families, corporations or trusts who wish to encourage the arts in Toronto;
- The creation of a permanent endowment fund, the income from which may be used as a potential income source for the Toronto Arts Council; and
- The ability to receive special funds commemorating their donors or others which may be used for prizes, scholarships or such other means of supporting the arts as their donors may designate.

The Foundation is a registered charitable organization (registration number 88854 7064 RR 0001) which is exempt from income taxes under the Income Tax Act, provided certain disbursement requirements are met. As at December 31, 2019, these disbursement requirements have been met.

The Foundation is controlled by the Toronto Arts Council through the ability of the Toronto Arts Council to appoint the majority of the members of the Board of Directors of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Externally restricted contributions, including grants and donations, are initially recorded as deferred revenues and then recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

Investments are subsequently measured at fair value. Investment income includes dividends, interest and unit trust distributions received during the year as well as changes in fair value of the investments during the year.

Capital assets

Capital assets are recorded at cost. Amortization of tangible assets is provided on a straight-line basis over the useful life of the assets, which is 5 years for furniture and equipment. Amortization commences when the asset is placed in service.

Contributed services

The Foundation would not be able to carry out its activities without the services of many volunteers who contribute a considerable amount of their time and services. Contributed services are not recognized in these financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known. The Foundation's main estimates include accrued liabilities. Actual results could differ from these estimates.

3. TORONTO ARTS COUNCIL

Grants and donations revenues includes \$100,000 (2018 - \$130,000) from Toronto Arts Council Cultural Grants Program for the Foundation's Neighbourhood Arts Network initiative (*Note 9*) and \$42,000 (2018 - \$nil) for the Newcomer and Refugee Artist Program..

Grants to Toronto Arts Council expenses include \$75,000 (2018 - \$75,000) in operations grants made by the Foundation to Toronto Arts Council for shared overhead costs.

Transactions with the Toronto Arts Council are measured at the exchange amount agreed between the two organizations and are approved by their respective Boards of Directors. At December 31, 2019, the amount due from Toronto Arts Council is \$1,679 (2018 - \$3,073 due to Toronto Arts Council). The balance is unsecured, interest free with no fixed repayment terms.

TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

4. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and deposits residing in accounts at a Canadian bank. The Foundation manages cash based on cash flow needs and with a view to optimizing investment income.

Accounts receivable mainly consists of corporate and individual sponsorships from the Mayor's Evening for the Arts event. The Foundation manages collectibility risk by accepting sponsorship pledges only from credit-worthy individuals and organizations that are known to the Foundation, as approved by the Board of Directors.

It is management's opinion that the Foundation is not subject to significant market, credit or liquidity risks on these financial instruments.

The Foundation's investments are recorded at fair value, based on brokers' quotes.

Investments at December 31, 2019 are as follows:

	2019	2018
Mutual funds:		
International funds	\$ 961,782	\$ 840,095
Fixed income funds	696,255	678,364
Canadian equity funds	376,926	310,671
Money market fund	105,378	80,575
	<u>\$ 2,140,341</u>	<u>\$ 1,909,705</u>

The Foundation is exposed to market, interest rate and currency risk in respect to the value of units in the mutual funds. The Foundation is also exposed to credit risk for the amount of investments in the event of non-performance by other parties to the investment transactions. To date, the Foundation has not incurred credit losses related to these investments and does not anticipate non-performance by other parties.

In managing these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

Investment income (loss) during the year consists of:

	2019	2018
Increase (decrease) in fair value of investments	\$ 186,718	\$ (94,430)
Income distributions	56,687	51,559
	<u>\$ 243,405</u>	<u>\$ (42,871)</u>

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and equipment	\$ 3,780	\$ 3,276	\$ 504	\$ 1,260

TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

6. DEFERRED REVENUES

The continuity of deferred revenues is as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 168,400	\$ 282,700
Add: amounts received during the year	464,864	480,709
Less: amounts recognized as revenues during the year	<u>(439,764)</u>	<u>(595,009)</u>
Balance, end of year	<u>\$ 193,500</u>	<u>\$ 168,400</u>

Deferred revenues at December 31 consists of:

City of Toronto grants	\$ 42,000	\$ 29,000
Contributions and sponsorships for:		
Arts in the Parks	75,000	-
Emerging Jazz Artist Award	58,000	72,500
Other	18,500	24,900
Newcomer and Refugee Artist Mentorship program	<u>-</u>	<u>42,000</u>
	<u>\$ 193,500</u>	<u>\$ 168,400</u>

7. ENDOWMENT WITH THE ONTARIO ARTS FOUNDATION

The Ontario Arts Foundation (“OAF”) operates an Ontario Arts Endowment Fund Program in which it holds and has supplemented contributions made to arts organizations for endowment purposes. The Toronto Arts Foundation Endowment Fund is an external endowment fund, the assets of which are controlled and managed by OAF in accordance with its investment and income distribution policies. Accordingly, assets of these funds are not reflected in these financial statements.

Income of \$1,700 (2018 - \$1,733) from the endowment was recognized by the Foundation for the year ended December 31, 2019.

At December 31, 2019, the market value of this endowment fund was \$40,423 (2018 - \$36,915).

8. ARTS AWARDS, MAYOR'S EVENING AND ARTS IN THE PARKS

Beginning in 2006, the Foundation has produced an annual Mayor’s Arts Awards Lunch to honour those who have contributed extensively to the arts in Toronto.

In 2014, the Foundation established the Vision Awards to recognize jazz, newcomer and diverse City artists.

The Muriel Sherrin and William Kilbourn awards are presented every other year, respectively.

The Mayor’s Evening for the Arts event raises funds for the development and implementation of Arts in the Parks and other programming to provide greater public access to arts programs and resources in all areas of the City of Toronto.

TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

9. GRANTS AND DONATIONS REVENUES

Grants and donation revenues in support of Foundation initiatives are as follows:

	<u>2019</u>	<u>2018</u>
Neighbourhood Arts Network	\$ 293,069	\$ 267,270
Arts in the Parks	89,905	-
Other donations	56,760	101,534
East End Arts	-	226,205
	<u>\$ 439,734</u>	<u>\$ 595,009</u>

Neighbourhood Arts Network

Neighbourhood Arts Network is dedicated to celebrating and supporting community engaged artists and arts organizations across Toronto through professional development events, online resources, strategic community arts partnerships and signature awards. Revenues for Neighbourhood Arts Network include grants of \$100,000 (2018 - \$130,000) from Toronto Arts Council (*Note 3*).

Newcomer and Refugee Artist Program

The Newcomer and Refugee Artist Program provides funding for individual newcomer and refugee professional artists to obtain mentorship in their chosen arts discipline. The program is open to professional artists at any stage in their career (i.e. emerging to senior) who have lived in Canada for 7 years or less. Mentors must be professional artists or arts—workers. Revenues for include grants of \$42,000 (2018 - \$Nil) from Toronto Arts Council (*Note 3*).

East End Arts

East End Arts ("EEA") provides support to artists and arts events, networks, community and artistic interests and creates new arts programming for people of all ages and backgrounds in the east end of Toronto. Revenues for EEA include grants of \$Nil (2017 - \$181,500) from the City of Toronto. In 2018, EEA operated as a project of the Foundation. Effective January 1, 2019, EEA commenced operating as an independent not-for-profit organization. In 2018, the Foundation received grants and incurred expenses on behalf of EEA for its operations as an independent entity.

Amounts due to EEA as at December 31, 2019 consist of donations received, on behalf of EEA.

10. COMMITMENT

Prior to July 1, 2016, North York Arts ("NYA") operated as a project of the Foundation. Effective July 1, 2016, NYA commenced operations as an independent not-for-profit organization. Effective at that date, the Foundation entered into an agreement ("Minto agreement") with NYA whereby the Foundation agreed to provide partnership funding of \$50,000 per year to NYA, renewable annually for up to five years, in exchange for the Foundation's access to programming spaces from time to time as agreed.

TORONTO ARTS FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

11. SUBSEQUENT EVENTS

Subsequent to the year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the Foundation in future periods. The Foundation continues to closely monitor and assess the impact on operations.

As a result of the unprecedented COVID-19 pandemic and the related stock market downturn, the Foundation's investment portfolio has suffered a decline. On December 31, 2019, the investment portfolio had an unrealized gain of \$389,517. On March 31, 2020, the investment portfolio had an unrealized gain of approximately \$159,438. The Foundation has established a target mix of investment instruments designed to achieve an optimal return within reasonable risk tolerances while preserving capital. It is the opinion of management that the impact on the investment portfolio will be mitigated as the world's economies return to their normal levels.
