

Financial Statements of

**PROVINCE OF ONTARIO
COUNCIL FOR THE ARTS**
(OPERATING AS ONTARIO ARTS COUNCIL)

And Independent Auditors' Report thereon

Year ended March 31, 2020

Province of Ontario Council for the Arts

Management's Responsibility for Financial Information

The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance and Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the OAC, and annually to review the audited financial statements and the external auditor's report thereon.

The financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility is to express an opinion on the financial statements. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:



Carolyn Vesely
CEO



Jerry Zhang
Director of Finance and Administration

July 17, 2020



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Province of Ontario Council for the Arts and
to the Minister of Heritage, Sport, Tourism and Culture Industries

Opinion

I have audited the financial statements of the Province of Ontario Council for the Arts (operating as Ontario Arts Council), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and changes in fund balances, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ontario Arts Council as at March 31, 2020 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.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing the Ontario Arts Council's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Ontario Arts Council'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 Ontario Arts Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ontario Arts Council 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for our audit opinion.

I 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 I identify during my audit.

Toronto, Ontario
July 17, 2020



Susan Klein, CPA, CA, LPA
Assistant Auditor General

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Financial Position

March 31, 2020, with comparative information for 2019

			2020	2019
	Operating fund	Restricted and endowment funds	Total	Total
Assets				
Current assets:				
Cash	\$ 1,543,245	\$ 2,710,097	\$ 4,253,342	\$ 6,679,617
Accounts receivable	12,870	–	12,870	73,224
Prepaid expenses	61,348	–	61,348	31,503
	1,617,463	2,710,097	4,327,560	6,784,344
Investments (notes 2(b) and 9)	871,624	23,445,907	24,317,531	26,527,510
Capital assets (note 3)	994,631	–	994,631	1,340,192
	\$ 3,483,718	\$ 26,156,004	\$ 29,639,722	\$ 34,652,046

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 279,867	\$ –	\$ 279,867	\$ 1,283,337
Deferred contributions (note 4)	280,598	–	280,598	586,461
Current portion of deferred lease inducement	165,322	–	165,322	165,322
Employee future benefits (note 2(b))	345,704	–	345,704	404,666
	1,071,491	–	1,071,491	2,439,786
Deferred lease inducement	785,279	–	785,279	950,601
	1,856,770	–	1,856,770	3,390,387
Fund balances:				
Invested in capital assets	44,030	–	44,030	224,269
Restricted for endowment purposes (note 5)	–	70,311	70,311	70,311
Externally restricted funds (Schedule 2)	–	17,871,548	17,871,548	17,317,273
Internally restricted funds (note 6)	–	6,212,151	6,212,151	6,683,994
Unrestricted	1,531,275	–	1,531,275	1,126,818
Accumulated remeasurement gains (Schedule 2)	51,643	2,001,994	2,053,637	5,838,994
	1,626,948	26,156,004	27,782,952	31,261,659
	\$ 3,483,718	\$ 26,156,004	\$ 29,639,722	\$ 34,652,046

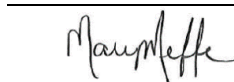
Commitments (note 11)
Economic dependence (note 12)

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	Operating fund		Restricted and endowment funds		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
General grant - Province of Ontario	\$ 59,937,400	\$ 64,937,400	\$ -	\$ -	\$ 59,937,400	\$ 64,937,400
Special grants:						
Creative Engagement Fund	4,672	628,854	-	-	4,672	628,854
Canada/Ontario						
French Language Projects	116,783	159,000	-	-	116,783	159,000
Other	-	11,092	-	-	-	11,092
Indigenous Culture Fund	337,894	3,809,420	-	-	337,894	3,809,420
Investment income (note 9)	516,720	558,374	1,243,922	2,832,007	1,760,642	3,390,381
Fund administration fee (note 7(a))	68,134	72,478	-	-	68,134	72,478
Recovery of prior years' grants	50,579	122,616	-	-	50,579	122,616
Miscellaneous	260,167	68,177	-	-	260,167	68,177
Contributions	-	-	8,254	41,782	8,254	41,782
	61,292,349	70,367,411	1,252,176	2,873,789	62,544,525	73,241,200
Expenses:						
Awards and expenses	-	-	1,211,388	1,502,604	1,211,388	1,502,604
Grants	51,186,513	57,205,430	424,000	-	51,610,513	57,205,430
Special grants	328,100	3,937,764	-	-	328,100	3,937,764
Administration (Schedule 1)	7,711,890	8,672,873	-	-	7,711,890	8,672,873
Services (Schedule 1)	1,320,984	2,094,870	55,000	-	1,375,984	2,094,870
	60,547,487	71,910,937	1,690,388	1,502,604	62,237,875	73,413,541
Excess of revenue over expenses (expenses over revenue)	744,862	(1,543,526)	(438,212)	1,371,185	306,650	(172,341)
Fund balances, beginning of year	1,497,921	2,336,719	29,763,738	30,142,034	31,261,659	32,478,753
Interfund transfers (note 6 and Schedule 2)	(520,644)	731,001	520,644	(731,001)	-	-
Net remeasurement change for the year	(95,191)	(26,273)	(3,690,166)	(1,018,480)	(3,785,357)	(1,044,753)
Fund balances, end of year	\$ 1,626,948	\$ 1,497,921	\$ 26,156,004	\$ 29,763,738	\$ 27,782,952	\$ 31,261,659

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 5,838,994	\$ 6,883,747
Unrealized (losses) gains attributed to:		
Portfolio investments	(3,646,966)	502,797
Amounts reclassified to the statement of operations:		
Portfolio investments	(138,391)	(1,547,550)
Net remeasurement change for the year	(3,785,357)	(1,044,753)
Accumulated remeasurement gains, end of year	\$ 2,053,637	\$ 5,838,994

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 306,650	\$ (172,341)
Items not involving cash:		
Gain on income distributions	(1,118,813)	(1,370,698)
Gain on sale of investments	(138,391)	(1,547,550)
Amortization of capital assets	379,770	507,243
Change in deferred lease inducement	(165,322)	(165,322)
Change in non-cash operating working capital:		
Accounts receivable	60,354	(31,773)
Prepaid expenses	(29,845)	91,881
Accounts payable and accrued liabilities	(1,003,470)	758,838
Deferred contributions	(305,863)	(1,111,608)
Employee future benefits	(58,962)	31,273
	<u>(2,073,892)</u>	<u>(3,010,057)</u>
Capital activities:		
Purchase of capital assets	(34,209)	(50,731)
Investing activities:		
Purchase of new investments	(2,000,000)	—
Proceeds from sale of investments	1,681,826	3,686,213
	<u>(318,174)</u>	<u>3,686,213</u>
(Decrease) increase in cash	(2,426,275)	625,425
Cash, beginning of year	6,679,617	6,054,192
Cash, end of year	<u>\$ 4,253,342</u>	<u>\$ 6,679,617</u>

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements

Year ended March 31, 2020

The Province of Ontario Council for the Arts (operating as Ontario Arts Council) (the "OAC") was established in 1963 by the Government of Ontario to promote the development and enjoyment of the arts across the province. The OAC plays a leadership role in fostering excellence in the arts and making the arts accessible to all Ontarians. The OAC is a registered charity and is exempt from tax under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Public Sector Accounting Standards, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. The OAC has elected to use the standards for government not-for-profit organizations that include the 4200 series of the Public Sector Accounting Standards.

The OAC follows the restricted fund method of accounting for contributions.

The OAC has elected not to consolidate controlled entities (note 8).

(b) Fund accounting:

Resources are classified for accounting and reporting purposes into funds that are held in accordance with their specified purposes.

The operating fund reports the publicly funded activities of the OAC funded mainly through a general grant from the Province of Ontario. Funding from the Province of Ontario for restricted programs is accounted for as deferred contributions and recognized when the related expenses are incurred.

The restricted and endowment funds are internally restricted by the OAC or by the terms specified by the donors in their trust agreements.

Grants approved to be paid in the future upon specific requirements being met are not included in the statement of operations and changes in fund balances (note 11(b)).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Investment income:

Investment income comprises income on pooled investments and bank balances.

Investment income related to the operating fund is recognized based on the actual number of units held in the pooled investment and recognized as income of the operating fund.

Investment income on the pooled investments related to the restricted and endowment funds is recognized as income of the restricted funds.

(d) Employee benefits:

(i) The OAC follows Public Sector Accounting Standards for accounting for employee future benefits, which include post-employment benefits payable upon termination. Under these standards, the cost of the post-employment benefits paid upon termination is charged to operations annually as earned.

(ii) The OAC accrues for vacation pay, sick leave liabilities and other earned benefits for amounts that accrue but have not vested.

(e) Lease inducements:

Lease inducements include a leasehold improvement allowance and free rents received by the OAC. The total amount of the lease inducements is amortized on a straight-line basis over the lease term.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are recorded at cost (purchase price). All capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Audiovisual equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Office renovations	5 years
Leasehold improvements	Lease term

When a capital asset no longer contributes to OAC's ability to provide services, its carrying value is written down to its residual value.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and changes in fund balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and changes in fund balances and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in fund balances.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The OAC invests in pooled funds that hold investments categorized as Level 1 and Level 2. The OAC categorizes these pooled funds as Level 2.

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and changes in fund balances and the unrealized balances are reversed from the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

i) Related party transactions:

Related party transactions are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the year. Significant estimates include valuation of investments, carrying value of capital assets and provisions for certain employee future benefits liabilities. Actual results could differ from those estimates.

2. Employee future benefits:

(a) Pension benefits:

The OAC's full-time employees participate in the Public Service Pension Fund ("PSPF"), which is a defined benefit pension plan for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OAC's annual payments to the PSPF. Since the OAC is not a sponsor of the PSPF, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OAC, as the sponsor is responsible for ensuring that the PSPF is financially viable. The annual payments to the PSPF of \$482,154 (2019 - \$445,678) are included in salaries and benefits in Schedule 1.

(b) Non-pension benefits:

The cost of post-retirement non-pension employee benefits is paid by the Province of Ontario and is not included in the statement of operations and changes in fund balances.

The amount of unused vacation pay, sick leave liabilities and other earned benefits accrued at year-end was \$345,704 (2019 - \$404,666).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Employee future benefits (continued):

The OAC has set aside funds to meet these liabilities and other obligations and invested these funds in the same pooled investments as the restricted and endowment funds. As at March 31, 2020, this investment has a market value of \$871,624 (2019 - \$960,225) and is shown under the operating fund as investments.

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Audiovisual equipment	\$ 144,186	\$ 124,787	\$ 19,399	\$ 46,456
Computer hardware and software	986,472	940,008	46,464	132,021
Furniture and fixtures	334,149	282,773	51,376	112,355
Office equipment	73,287	64,902	8,385	21,832
Office renovations	54,555	34,301	20,254	31,165
Leasehold improvements	1,476,093	627,340	848,753	996,363
	<u>\$ 3,068,742</u>	<u>\$ 2,074,111</u>	<u>\$ 994,631</u>	<u>\$ 1,340,192</u>

4. Deferred contributions:

	2020	2019
Balance, beginning of year	\$ 586,461	\$ 1,698,069
Add amount received during the year	–	3,406,092
Less amount recognized during the year	(305,863)	(4,517,700)
Balance, end of year	<u>\$ 280,598</u>	<u>\$ 586,461</u>

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Fund balances restricted for endowment purposes:

	2020	2019
The Oskar Morawetz Memorial Fund	\$ 26,000	\$ 26,000
The Canadian Music Centre John Adaskin Memorial Fund	17,998	17,998
Dr. Heinz Unger Scholarship Fund	17,235	17,235
The Leslie Bell Scholarship Fund	9,078	9,078
	\$ 70,311	\$ 70,311

6. Internally restricted fund balances:

	Fund balances beginning of year	Transfer from (to) Operating Fund	Investment income (loss)	Awards and expenses paid	Fund balances, end of year
Venture fund	\$ 2,487,541	\$ 500,000	\$ (212,191)	\$ (507,411)	\$ 2,267,939
Board-designated reserve fund	1,828,000	(711,000)	-	-	1,117,000
Capital fund	2,000,000	500,000	(265,322)	(563)	2,234,115
Granting programs fund	368,453	224,644	-	-	593,097
	\$ 6,683,994	\$ 513,644	\$ (477,513)	\$ (507,974)	\$ 6,212,151

7. Related party transactions:

- (a) Included in Schedule 2, awards and expenses paid, are administration fees charged by the OAC for providing day-to-day administrative support and services to the restricted and endowment funds held by the OAC. As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the funds held or on the annual investment income earned by the funds held by the OAC.

	2020	2019
Fund administration fee	\$ 68,134	\$ 72,478

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Related party transactions (continued):

(b) The Ontario Arts Foundation (the "Foundation") is controlled by the OAC's Board of Directors, as described in note 8. During the year, the OAC charged a fee for the administration of the Foundation's awards program which amounted to \$10,342 (2019 – 10,629).

In 2019, the OAC charged the Foundation \$2,543 for rent and \$10,395 for general and administrative costs. These services were no longer provided in 2020.

8. Ontario Arts Foundation:

The Foundation was incorporated under the Corporations Act (Ontario) on October 15, 1991 and is a registered charity under the Income Tax Act (Canada). The Foundation was established:

- (a) to receive and maintain a fund or funds to apply all or part of the principal and income therefrom to charitable organizations, which are also registered charities under the Income Tax Act (Canada);
- (b) to provide scholarships for study or research in the arts in Ontario or elsewhere; and
- (c) to make awards to persons for outstanding accomplishments in the arts in Ontario or elsewhere.

As defined by Canadian accounting standards for government not-for-profit organizations, the OAC controls the Foundation in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors.

The Foundation's financial statements have not been consolidated in the OAC's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by the OAC.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Ontario Arts Foundation (continued):

The majority of the fund balances, \$48,205,262 of the total of \$71,981,456 (2019 - \$47,590,367 of the total of \$82,551,074), represents the balances of the individual arts endowment funds held by the Foundation under the Arts Endowment Fund program of the Government of Ontario for a number of arts organizations. Under this program, money contributed and matched is held in perpetuity. The Board of Directors of the Foundation determines the amount of income that may be paid annually.

Audited financial statements of the Foundation are available upon request. Financial summaries of the Foundation, reported in accordance with Canadian public sector accounting standards for government not-for-profit organizations, are as follows:

(a) Financial position:

	2020	2019
Assets		
Cash and investments	\$ 72,169,762	\$ 82,782,796
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	\$ 188,306	\$ 231,722
Fund balances	71,981,456	82,551,074
	\$ 72,169,762	\$ 82,782,796

(b) Changes in fund balances:

	2020	2019
Fund balances, beginning of year	\$ 82,551,074	\$ 80,063,923
Contributions received	3,333,084	2,310,614
Investment gain	7,149,689	4,986,526
Fund administration fee	428,272	412,126
Awards and expenses	(6,094,883)	(6,232,003)
Net remeasurement gains	(15,385,780)	1,009,888
Fund balances, end of year	\$ 71,981,456	\$ 82,551,074

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Ontario Arts Foundation (continued):

(c) Cash flows:

	2020	2019
Cash flows used in operating activities	\$ (2,311,651)	\$ (2,433,523)
Cash flows from investing activities	10,584,394	2,996,431
	<u>\$ 8,272,743</u>	<u>\$ 562,908</u>

9. Investments and investment income:

Net investment income comprises the following:

	2020	2019
Income distributions	\$ 1,118,813	\$ 1,370,698
Realized gains	138,391	1,547,550
Bank interest	503,438	472,133
	<u>\$ 1,760,642</u>	<u>\$ 3,390,381</u>

The asset mix of the investments is as follows:

	2020	2019
Foreign equities, predominantly U.S.	37%	38%
Fixed income securities	27%	26%
Canadian equities	18%	23%
Alternative investments	13%	12%
Cash and cash equivalents	5%	1%

The OAC currently holds \$6,500,408 (cost - \$6,298,383) (2019 - \$6,987,153 (cost - \$5,379,004)) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 1.45% to 8.29% (2019 - 0.75% to 9.98%) and mature between June 2020 and September 2077 (2019 - between June 2019 and September 2077).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Public sector salary disclosures:

Section 3(5) of the Public Sector Salary Disclosure Act (1996) requires disclosure of Ontario public sector employees who were paid an annual salary in excess of \$100,000 in the calendar year 2019. For the OAC, this disclosure is shown below:

Surname	Given Name	Position Title	Salary	Taxable benefits
BRADLEY	PATRICIA	Theatre, Major Organizations and Compass Officer	\$103,949	\$134
CALDWELL	PETER	Director and Chief Executive Officer	233,018	319
GUNTER	KIRSTEN	Director of Communications	129,653	176
HASLAM	MARK	Media Arts Officer	102,045	138
JUNAID	BUSHRA	Outreach and Development Manager, Access and Career Development Program Officer	107,909	147
CHA	JAMES	Manager of Operations	109,620	148
NAQVI	SYED	Manager of Information Systems and Technology	126,462	170
PARSONS	DAVID	Classical Music Officer	103,296	140
SMALL	NINA	Director of Human Resources	128,729	174
TOWNSHEND	KATHRYN	Director of Research, Policy and Evaluation	129,406	176
VESELY	CAROLYN	Director of Granting	149,968	203
WARREN	MYLES	Dance and Awards Officer	103,379	134
ZHANG	JERRY	Director of Finance and Administration	146,647	199

11. Commitments:

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases. The future annual lease payments, including utilities and operating costs, are summarized as follows:

2021	\$ 758,702
2022	783,556
2023	791,562
2024	799,729
2025	808,059
Thereafter	610,799
	\$ 4,552,407

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Commitments (continued):

(b) Grant commitments:

The OAC has approved grants of \$593,097 (2019 - \$368,453), which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in fund balances. These amounts are included in the internally restricted fund balance, as described in note 6.

In addition, under the terms and conditions of the Indigenous Culture Fund, the OAC has approved grants of \$157,998 (2019 - \$507,938), which will be paid in the future years once the conditions of the grants have been met.

12. Economic dependence:

The OAC is dependent on the Province of Ontario for the provision of funds to provide awards and grants and to cover the cost of operations.

13. Financial instruments:

(a) Interest rate and foreign currency risks:

The OAC is exposed to interest rate and foreign currency risks arising from the possibility that changes in interest rates and foreign exchange rates will affect the value of fixed income and foreign currency-denominated investments.

(b) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the OAC to a risk of loss. The OAC uses two professional investment managers to advise on investment risks, asset selection and mix to achieve an appropriate balance between risks and returns. The Finance and Audit Committee of the Board of Directors of the OAC monitors investment decisions and results and meets regularly with the managers.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the OAC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The OAC manages its liquidity risk by monitoring its operating requirements. The OAC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There has been no change to the above risk exposures from 2019.

14. Comparative Information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 1 - Administration Expenses and Services

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Administration expenses:		
Salaries and benefits (notes 2(a) and 10)	\$ 5,920,368	\$ 6,597,362
Office rent and hydro	567,927	559,736
Amortization of capital assets	379,770	507,243
Information services	237,154	278,943
Consulting and legal fees	118,326	75,298
Communications	110,286	178,614
Miscellaneous	95,012	92,729
Personnel hiring and training	73,775	51,334
Maintenance and equipment rental	59,347	70,740
Telephone, postage and delivery	49,626	52,361
Travel	45,161	115,394
Meetings	40,958	70,985
Office supplies, printing and stationery	14,180	22,134
	<u>7,711,890</u>	<u>8,672,873</u>
Services:		
Other programs	720,084	1,037,612
Jurors and advisors	525,197	738,649
Canada/Ontario French language projects	130,703	318,609
	<u>1,375,984</u>	<u>2,094,870</u>
	<u>\$ 9,087,874</u>	<u>\$ 10,767,743</u>

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 2 - Externally Restricted and Endowment Funds

Year ended March 31, 2020, with comparative information for 2019

2020	Balance of Endowment Fund (note 5)	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment loss	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	\$ –	\$ 22,100,685	\$ –	\$ –	\$ (1,885,216)	\$ (1,111,239)	\$ 19,104,230
The Oskar Morawetz Memorial Fund	26,000	308,160	–	–	(28,504)	(23,114)	256,542
Dr. Heinz Unger Scholarship Fund	17,235	94,534	–	–	(9,534)	(1,042)	83,958
The Leslie Bell Scholarship Fund	9,078	182,134	–	7,000	(16,311)	(1,764)	171,059
The Vida Peene Fund	–	203,156	8,254	–	(17,329)	(43,665)	150,416
The John Hirsch Memorial Fund	–	68,439	–	–	(5,838)	(638)	61,963
The Canadian Music Centre John Adaskin Memorial Fund	17,998	28,117	–	–	(3,934)	(429)	23,754
Colleen Peterson Songwriting Fund	–	16,364	–	–	(1,396)	(452)	14,516
The Ruth Schwartz Fund	–	7,844	–	–	(669)	(71)	7,104
	\$ 70,311	\$ 23,009,433	\$ 8,254	\$ 7,000	\$ (1,968,731)	\$ (1,182,414)	\$ 19,873,542

2019	Balance of Endowment Fund (note 5)	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	\$ –	\$ 22,078,125	\$ –	\$ –	\$ 1,459,526	\$ (1,436,966)	\$ 22,100,685
The Oskar Morawetz Memorial Fund	26,000	290,432	–	–	20,918	(3,190)	308,160
Dr. Heinz Unger Scholarship Fund	17,235	88,605	–	–	6,996	(1,067)	94,534
The Leslie Bell Scholarship Fund	9,078	174,814	–	7,000	12,157	(11,837)	182,134
The Vida Peene Fund	–	152,813	41,782	–	10,102	(1,541)	203,156
The John Hirsch Memorial Fund	–	64,807	–	–	4,284	(652)	68,439
The Canadian Music Centre John Adaskin Memorial Fund	17,998	25,671	–	–	2,887	(441)	28,117
Colleen Peterson Songwriting Fund	–	16,631	–	–	1,099	(1,366)	16,364
The Ruth Schwartz Fund	–	7,429	–	–	491	(76)	7,844
	\$ 70,311	\$ 22,899,327	\$ 41,782	\$ 7,000	\$ 1,518,460	\$ (1,457,136)	\$ 23,009,433

*Fund balances end of year include unrealized gain of \$2,001,994 (2019 - \$5,692,160) as presented in the statement of financial position.