Financial Statements of

ONTARIO ARTS COUNCIL

And Independent Auditors' Report thereon.

Year ended March 31, 2026

Ontario Arts Council

Management's Responsibility for Financial Information

Management of Ontario Arts Council (OAC) is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, and management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through a Finance and Audit Committee, which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The Finance and Audit Committee is also responsible for reviewing our internal controls and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our *Arts Council Act*, 1990 has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit Committee to discuss their audit and related findings.

On behalf of management:

Michael Murray
CEO

Henry Xu
Director of Finance and Corporate Services

July 16, 2026

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

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INDEPENDENT AUDITOR'S REPORT

To the Ontario Arts Council
and to the Minister of Tourism, Culture and Gaming

Opinion

I have audited the financial statements of the Ontario Arts Council, which comprise the statement of financial position as at March 31, 2026, and the statements of operations and changes in fund balances, remeasurement gains 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 Ontario Arts Council as at March 31, 2026, and the results of its operations, its remeasurement gains 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 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 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 Ontario Arts Council's financial reporting process.

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 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 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 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 and 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 16, 2026

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

ONTARIO ARTS COUNCIL

Statement of Financial Position

March 31, 2026, with comparative information for 2025

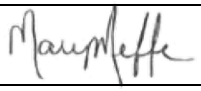
	2026 Operating Fund	2026 Internally Restricted	2026 Externally Restricted	2026 Total	2025 Total
Assets					
Current assets:					
Cash	$ 2,872,924	$ 854,444	$ 30,000	$ 3,757,368	$ 4,116,967
Accounts receivable	73,990	437,703	-	511,693	551,399
Prepaid expenses	106,866	-	-	106,866	119,042
Short term investments (note 3)	40,932	122,795	729,977	893,704	389,994
Total current assets	**3,094,712**	**1,414,942**	**759,977**	**5,269,631**	**5,177,402**
Investments (note 3)	1,507,739	4,521,289	26,844,869	32,873,897	34,122,673
Capital assets (note 4)	78,091	74,610	-	152,701	243,600
Total assets	**$ 4,680,542**	**$ 6,010,841**	**$ 27,604,846**	**$ 38,296,229**	**$ 39,543,675**
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities (note 5b)	$ 693,501	$ 454,703	-	$ 1,148,204	$ 1,495,395
Deferred lease inducement	65,572	-	-	65,572	123,993
Total current liabilities	**759,073**	**454,703**	**-**	**1,213,776**	**1,619,388**
Deferred contributions (note 6)	348,893	-	-	348,893	348,893
Total liabilities	**1,107,966**	**454,703**	**-**	**1,562,669**	**1,968,281**
Fund balances:					
Invested in capital assets (note 7)	78,091	74,610	-	152,701	119,607
Restricted for endowment purposes (Schedule 2)	-	-	70,311	70,311	70,311
Fund balances (note 8 and schedule 2)	3,238,023	4,962,148	20,141,916	28,342,087	28,041,270
Accumulated remeasurement gains	256,462	519,380	7,392,619	8,168,461	9,344,206
Total fund balances	**3,572,576**	**5,556,138**	**27,604,846**	**36,733,560**	**37,575,394**
Total liabilities and fund balances	**$ 4,680,542**	**$ 6,010,841**	**$ 27,604,846**	**$ 38,296,229**	**$ 39,543,675**

Commitments (note 12)

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

On behalf of the Board:

Director



Director

ONTARIO ARTS COUNCIL

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2026, with comparative information for 2025

	Operating Fund		Internally Restricted Fund		Externally Restricted		Total	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Revenues:								
Government grants - Province of Ontario	$ 59,937,400	$ 59,937,400	$ -	$ -	$ -	$ -	$ 59,937,400	$ 59,937,400
Special grants:								
Canada/Ontario French Projects	440,551	437,158	-	-	-	-	440,551	437,158
Investment income (note 3)	932,426	1,288,689	474,843	321,719	2,348,436	1,504,440	3,755,705	3,114,848
Fund administration fee (note 3)	148,725	143,037	-	-	-	-	148,725	143,037
Miscellaneous income	74,277	72,194	-	-	-	-	74,277	72,194
Recovery of prior years' grants	89,782	63,347	-	-	-	-	89,782	63,347
Contributions	-	-	-	-	57,712	19,937	57,712	19,937
Special award income Metcalf Foundation	195,000	10,012	-	-	-	-	195,000	10,012
Total revenues	**61,818,161**	**61,951,837**	**474,843**	**321,719**	**2,406,148**	**1,524,377**	**64,699,152**	**63,797,933**
Expenses:								
Grants	52,140,583	51,737,827	500,000	500,000	1,336,532	1,234,776	53,977,115	53,472,603
Administration (Schedule 1)	8,798,205	8,454,967	8,290	-	-	-	8,806,495	8,454,967
Awards and expenses	-	-	644,378	998,468	227,838	197,057	872,216	1,195,525
Services (Schedule 1)	709,415	902,385	-	-	-	-	709,415	902,385
Total expenses	**61,648,203**	**61,095,179**	**1,152,668**	**1,498,468**	**1,564,370**	**1,431,833**	**64,365,241**	**64,025,480**
Excess (deficiency) of revenue over expenses	169,958	856,658	(677,825)	(1,176,749)	841,778	92,544	333,911	(227,547)
Fund balances, beginning of year	3,249,328	2,925,042	6,602,877	6,947,511	27,723,189	26,411,416	37,575,394	36,283,969
Interfund transfers (note 8 and Schedule 2)	207,213	(597,147)	(207,213)	597,147	-	-	-	-
Net remeasurement (loss) gain for the year	(53,923)	64,775	(161,701)	234,968	(960,121)	1,219,229	(1,175,745)	1,518,972
Fund balances, end of year	**$ 3,572,576**	**$ 3,249,328**	**$5,556,138**	**$ 6,602,877**	**$27,604,846**	**$27,723,189**	**$ 36,733,560**	**$ 37,575,394**

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

ONTARIO ARTS COUNCIL

Statement of Remeasurement Gains

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Accumulated remeasurement gains, beginning of year	$ 9,344,206	$ 7,825,234
Net unrealized (losses) gains attributed to:		
Investments designated to the fair value category	(477,958)	2,066,733
Net realized gains reclassified to the statement of operations:		
Investments designated to the fair value category	(697,787)	(547,761)
Net change in remeasurement gains for the year	(1,175,745)	1,518,972
Accumulated remeasurement gains, end of year	$ 8,168,461	$ 9,344,206

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

ONTARIO ARTS COUNCIL

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash flows used in operating activities:		
Excess (deficiency) of revenue over expenses	$ 333,911	$ (227,547)
Adjustments for non-cash items:		
Income distributions	(2,261,076)	(1,324,034)
Fund administration fee	(148,725)	(143,037)
Realized gain on sale of investments	(697,787)	(547,761)
Amortization of capital assets	187,153	232,162
Amortization of deferred lease inducement	(154,230)	(165,322)
New lease inducement received	95,809	
Change in operating working capital items:		
Decrease (increase) in accounts receivable	39,706	(473,601)
Decrease in prepaid expenses	12,176	1,378
Decrease in accounts payable and accrued liabilities	(347,191)	(6,142)
Net cash flows used in operating activities	**(2,940,254)**	**(2,653,904)**
Cash flows used in capital activity:		
Purchase of capital assets	(96,254)	(88,417)
Net cash flows used in capital activity	**(96,254)**	**(88,417)**
Cash flows from investing activities:		
Purchase of investments	(27,712)	(580,194)
Proceeds from sale of investments	2,704,621	2,144,661
Net cash flows from investing activities	**2,676,909**	**1,564,467**
Decrease in cash	**(359,599)**	**(1,177,854)**
Cash, beginning of year	4,116,967	5,294,821
Cash, end of year	**$ 3,757,368**	**$ 4,116,967**

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

ONTARIO ARTS COUNCIL

Notes to Financial Statements

Year ended March 31, 2026

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1. Nature of operations:

Ontario Arts Council (the "OAC") was established in 1963 with the passing of Bill 162, *An Act to Establish the Province of Ontario Council for the Arts* (now referred to as the *Arts Council Act*, 1990), 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).

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements are prepared by management in accordance with the CPA Canada Public Sector Accounting Handbook which sets out 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 Section PS 4200 to PS 4270.

The OAC controls Ontario Arts Foundation (the "Foundation") in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors. The OAC has not consolidated the Foundation in its financial statements and therefore the Foundation's assets, liabilities, and the results of operations are not included in these financial statements. There are no significant differences from the accounting policies used by the Foundation than those used by the OAC. Summarized financial information regarding the Foundation is disclosed in note 11.

(b) Fund accounting:

OAC uses fund accounting whereby 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. The operating fund includes investment income from grants for which there are no restrictions.

Internally restricted funds are funds set aside by the OAC to cover committed grants, medium and long-term strategic capacity needs, and unforeseen one-time future needs.

2. Significant accounting policies (continued):

The externally restricted funds, which include endowment funds, are restricted by the terms specified by the donors in their trust agreements.

c) Measurement uncertainty:

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 liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the year.

The significant area requiring the use of estimates is the valuation of investments (see note 3). This valuation is based on the net asset values of the investments as determined by OAC's investment manager and consistent with the requirements in PS 3450, *Financial Instruments*.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results could differ materially from the estimates.

(d) Revenue recognition

The OAC follows the restricted fund method of accounting for contributions, which includes government grants.

(i) Contributions:

Operating funding from the Province of Ontario is recognized as revenue in the operating fund when it is received or receivable as there are no restrictions.

Funding from the Province of Ontario for restricted programs is accounted for as deferred contributions under the operating fund in the statement of financial position. The OAC subsequently recognizes revenue in the period in which the related expenses are incurred under the operating fund in the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(ii) Investment income:

Investment income includes interest, dividends, and realized gains or losses from pooled investments and bank balances.

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

Other restricted investment income is recognized in the statement of operations and changes in fund balances in the restricted funds or, if there is no appropriate restricted fund, in the operating fund in accordance with the deferral method.

(e) Expenses:

Expenses are recorded on an accrual basis. Expenses are recognized in the fiscal year when the events give rise to the expense occur and resources are consumed.

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 12(b)).

(f) Employee benefits:

The OAC is a participating employer in the Public Service Pension Plan, which is a multi-employer defined benefit plan that is solely sponsored by the Province of Ontario. When benefits are provided to employees through a multi-employer defined benefit plan, each entity participating in the plan, other than the sponsoring entity, is required to follow the standards for defined contribution plans. As a result, the OAC recognizes an expense equal to the amount of required contributions provided for employees' services rendered during the period. Any outstanding contributions are recognized as a liability in the statement of financial position.

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

2. Significant accounting policies (continued):

(g) Capital assets:

Capital assets are recorded at cost (purchase price), less accumulated amortization and write-downs, if any.

Amortization begins when the capital assets are available for use. All capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Audiovisual equipment	5 years
Computer hardware and software	3-5 years
Furniture and fixtures	5 years
Office equipment	5 years
Office renovations	5 years
Leasehold improvements	10 years

When a capital asset no longer contributes to OAC's ability to provide services or when the value of the future economic benefits associated with the capital assets is less than its net book value, its carrying value is written down to its residual value.

(h) Lease inducements:

Lease inducements received by the OAC include a leasehold improvement allowance which is capital in nature and hence recorded as part of Invested in capital assets (see Note 7), and a free rent period which is operating in nature and hence part of the Operating fund. The total amount of lease inducements is amortized on a straight-line basis over the lease term.

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial assets and financial liabilities are recognized on the statement of financial position when OAC becomes a party to the contractual provisions of the instrument.

All financial instruments are assigned to one of the two measurement categories at initial recognition: fair value or cost/amortized cost. The following is a list of OAC's financial instruments and their measurement basis:

Financial assets	**Measurement basis**
Cash	Amortized cost
Accounts receivable	Amortized cost
Investments	Fair value

Financial liabilities	**Measurement basis**
Accounts payable and accrued liabilities	Amortized cost

(i) Financial instruments measured at cost or amortized cost

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets at amortized cost are subject to impairment. At each financial statement date, the OAC assesses financial assets to determine whether there is any objective evidence of impairment. Impairment losses are reported in the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(ii) Financial instruments measured at fair value

Investments in equity instruments that are quoted in an active market are reported at fair value. Management has elected to designate all investments to the fair value category as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Any unrealized gains or losses are recognized in the statement of remeasurement gains and losses and are subsequently reversed and recognized in the statement of operations and changes in fund balances on disposal.

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.

Fair value measurements are categorized into the following levels within a fair value hierarchy based on the market observability of the valuation inputs used in measuring the 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.

2. Significant accounting policies (continued):

(j) Foreign currency:

Foreign currency transactions are translated into Canadian dollars by applying the exchange rate in effect at the date of the transaction. Monetary assets (including cash, accounts receivable, and investments) and monetary liabilities denominated in foreign currencies are translated into Canadian dollars by applying the exchange rate in effect 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.

k) Inter-entity transactions:

Inter-entity transactions are transactions occurring between commonly controlled entities. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

3. Investments and investment income:

The OAC invests in pooled investment funds, which consist of the following:

	2026		2025	
	Cost	Fair Value	Cost	Fair Value
Foreign equities	$ 11,094,986	$ 16,017,577	$ 10,537,592	$ 17,085,281
Fixed income securities	9,082,784	10,315,698	9,174,519	10,571,616
Canadian equities	4,511,316	6,905,420	4,554,222	6,354,382
Cash and cash equivalents*	468,650	528,906	460,724	501,388
	$ 25,157,736	$ 33,767,601	$ 24,727,057	$ 34,512,667

* Cash equivalents include Government of Canada T-Bills, Provincial T-Bills and bank depository notes with a maturity period of three months or less from the date of acquisition.

The OAC categorizes these pooled investment funds as Level 2 in the fair value hierarchy. During the years ended March 31, 2026, and 2025, there were no transfers of assets between Level 1 and 2 of the fair value hierarchy or any transfers in or out of Level 3.

3. Investments and investment income (continued):

The asset mix of the investments is as follows:

	2026	2025
Foreign equities	47%	50%
Fixed income securities	31%	31%
Canadian equities	20%	18%
Cash and cash equivalents	2%	1%

Investment income comprises the following:

	2026	2025
Income distributions	$ 2,261,076	$ 1,324,034
Realized gains	697,787	547,761
Bank interest	796,842	1,243,053
Investment income	$ 3,755,705	$ 3,114,848

As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the investment income earned on externally restricted investments which are administered and held by the OAC. The administration fee $148,725 (2025 - $143,037) is recorded as an allocation of revenue for both the operating and externally restricted funds and is included in the statement of operations and changes in fund balances.

4. Capital assets:

			2026	2025
	Cost	Accumulated amortization	Net book value	Net book value
Audiovisual equipment	$ 1,473	$ (797)	$ 676	$ -
Computer hardware and software	508,978	(358,461)	150,517	93,431
Furniture and fixtures	6,085	(5,202)	883	1,256
Office equipment	1,237	(612)	625	-
Office renovations	27,071	(27,071)	-	2,707
Leasehold improvements	1,476,093	(1,476,093)	-	110,707
Work-in-progress	-	-	-	35,499
	$ 2,020,937	$ (1,868,236)	$ 152,701	$ 243,600

4. Capital assets (continued):

During the year, fully depreciated capital assets with total cost and accumulated amortization of $50,731 (2025 - $75,061) were written-off.

An amount of $35,499 that was recorded under Work-in-progress in FY2024-25 was transferred to Computer hardware and software. This is related to the implementation of the new financial system that was completed and ready to use during the year.

5. Employee 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 pension benefit formula is based on a member's best five-year average salary and length of service. Pension benefits are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan benefits are funded by contributions from participating employers, employees, the Province, as well as investment earnings. Plan members normally contribute 8 to 12 per cent of their salaries to the plan and participating employers match these contributions. There were no significant changes to the plan during the period.

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 $522,475 (2025 - $511,321) are included in salaries and benefits in Schedule 1.

(b) Non-pension benefits:

The Province of Ontario provides eligible PSPP retired members and their eligible spouses and dependents with insured medical benefits coverage through Canada Life. These insured benefits are not part of the PSPP's pension benefits and are determined by the Province of Ontario. The cost of this post-retirement non-pension employee benefits is paid by the Province of Ontario and/or the retiree. There is no obligation on OAC and as such, the cost is not included in the statement of operations and changes in fund balances.

5. Employee benefits (continued):

The amount of liabilities related to employee benefits, payment owing, and other earned benefits accrued at year-end was $519,105 (2025 - $496,159) and is included in accounts payable and accrued liabilities in the statement of financial position.

6. Deferred contributions:

	2026	2025
Balance, beginning of year	$ 348,893	$ 348,893
Add amount received during the year	-	-
Less amount recognized during the year	-	-
Balance, end of year	$ 348,893	$ 348,893

7. Invested in capital assets:

Invested in capital assets represents the following:

	2026	2025
Capital assets	$ 152,701	$ 243,600
Less amounts financed by deferred lease inducements	-	(123,993)
Total invested in capital assets	$ 152,701	$ 119,607

7. Invested in capital assets (continued):

The change in net assets invested in capital assets is calculated as follows:

	2026	2025
Net assets invested in capital assets, beginning of the year	$ 119,607	$ 98,030
Deficiency of revenues over expenses:		
Amortization of capital assets	(187,153)	(232,162)
Amortization of deferred lease inducement	123,993	165,322
Decrease in investment in capital assets	(63,160)	(66,840)
Net change in investment in capital assets:		
Purchase of capital assets	96,254	88,417
Net assets invested in capital assets, end of year	$ 152,701	$ 119,607

8. Internally restricted fund balances:

2026	Fund balances beginning of year	Fund transfer from (to)**	Investment income	Grants, awards and expenses paid	Fund Balances, end of year*
Venture fund	$ 740,986	$ -	$ 50,408	$ (502,938)	$ 288,456
Board-designated reserve fund	-	553,363	-	(553,363)	-
Strategic Initiatives & Capital fund	4,137,317	(359,581)	262,734	(96,367)	3,944,103
Granting programs fund	1,724,574	(400,995)	-	-	1,323,579
	$ 6,602,877	$ (207,213)	$ 313,142	$ (1,152,668)	$ 5,556,138

2025	Fund balances beginning of year	Fund transfer from (to)**	Investment income	Grants, awards and expenses paid	Fund Balances, end of year*
Venture fund	$ 1,139,110	$ -	$ 104,446	$ (502,570)	$ 740,986
Board-designated reserve fund	53,195	922,945	-	(976,140)	-
Strategic Initiatives & Capital fund	4,166,307	(461,473)	452,241	(19,758)	4,137,317
Granting programs fund	1,588,899	135,675	-	-	1,724,574
	$ 6,947,511	$ 597,147	$ 556,687	$ (1,498,468)	$ 6,602,877

8. Internally restricted fund balances (continued):

*Fund balances end of year includes accumulated remeasurement gains of $519,380 (2025 - $681,080), and $74,610 (2025 - $35,499) of capital expenditure for new finance system.

**All fund transfers from (to) are between the Operating and the Internally restricted fund, except for $276,682 (2025 - $461,473) transferred from the Strategic Initiatives & Capital fund to the Board-designated reserve fund, both of which are internally restricted funds.

9. Financial instrument risks:

(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. The carrying amount of investments that is exposed to foreign currency risk is $16,017,577 (2025 - $17,085,281). The pooled investment funds held by the OAC include fixed income securities of $10,315,698 (2025 - $10,571,616) that are exposed to interest rate risk. The interest rates range from 1.35% to 12.63% (2025 - 0.90% to 12.62%) and mature between May 2026 and January 2085 (2025 – between April 2025 and January 2085). OAC is in regular contact with its bank and investment manager to discuss investment options to achieve appropriate balance between risks and returns.

(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 a professional investment manager 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 manager. The carrying amount of investments that are exposed to market (price) risk is $33,767,601 (2025 - $34,512,667).

(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. OAC is not exposed to significant liquidity risk.

9. Financial instrument risks (continued):

There has been no change to the above risk exposures from 2025.

10. Related party transactions:

During the year, the OAC charged a fee for the administration of the Foundation's awards program which amounted to $24,647 (2025 - $25,261) which is included in the statement of operations and changes in fund balances.

During the year, the salary of one of the Foundation's employees was reimbursed by the Foundation. Upon disbursement of the salary to the employee, the OAC records a receivable from the Foundation which is subsequently reversed when the Foundation reimburses the OAC. There is no impact on these financial statements.

11. 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.

The majority of the fund balances, $72,500,033 of the total of $104,103,764 (2025 - $75,022,835 of the total of $106,881,033), 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. In addition to the Arts Endowment Fund program, there are $24,707,465 (2025 - $24,925,632) in other endowment funds. These other endowment funds include funds from private donors and matching grants from the Canadian Heritage Funds.

11. Ontario Arts Foundation (continued):

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:

	2026	2025
Assets		
Cash and investments	$ 106,430,370	$ 108,940,154
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	$ 133,905	$ 198,461
Agency funds	2,192,701	1,860,660
Fund balances	104,103,764	106,881,033
	$ 106,430,370	$ 108,940,154

(b) Changes in fund balances:

	2026	2025
Fund balances, beginning of year	$ 106,881,033	$ 107,335,165
Contributions received	1,491,945	814,960
Investment income	25,481	33,151
Investment gain	8,067,066	4,948,128
Fund administration fee	559,422	558,322
Awards and expenses	(8,004,098)	(7,323,261)
Net remeasurement gains (losses)	(4,917,085)	514,568
Fund balances, end of year	$ 104,103,764	$ 106,881,033

(c) Cash flows:

	2026	2025
Cash flows used in operating activities	$ (5,815,423)	$ (6,231,359)
Cash flows from investing activities	5,484,679	6,037,759
Net increase (decrease) in cash	$ (330,774)	$ (193,600)

12. Commitments:

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases expiring up to December 2028. The future annual lease payments, including utilities and operating costs, are summarized as follows:

2027	$ 783,644
2028	684,993
2029	1,163
Total lease commitments	$ 1,469,800

The OAC's current office lease agreement is controlled by the Ministry of Infrastructure ("MoI") effective January 1, 2026 to December 31, 2027 and consequentially the OAC makes lease payments to the MoI.

(b) Grant commitments:

The OAC has approved grants of $1,323,579 (2025 - $1,724,574), 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 Granting programs fund, as described in note 8.

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Schedule 1 - Administration Expenses and Services

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Administration expenses:		
Salaries and benefits (notes 2 and 5)	$ 7,231,261	$ 6,780,943
Office rent and hydro	617,711	672,819
Information Services	261,119	246,544
Amortization of capital assets	187,153	232,162
Miscellaneous	145,731	136,734
Communications	117,565	106,930
Travel	57,056	68,745
Personnel hiring and training	54,533	79,355
Telephone, postage, and delivery	44,595	39,730
Consulting and legal fees	45,037	51,094
Maintenance and equipment rental	23,317	16,710
Meetings	12,021	19,969
Office supplies, printing, and stationery	9,396	3,232
	8,806,495	8,454,967
Services:		
Jurors and advisors	552,826	597,967
Other programs	156,589	304,418
	709,415	902,385
	$ 9,515,910	$ 9,357,352

ONTARIO ARTS COUNCIL

Schedule 2 - Externally Restricted and Endowment Funds

Year ended March 31, 2026, with comparative information for 2025

2026	Balance of Endowment Fund	Fund balances, beginning of year	Contributions received	Transfer from (to) Operating fund	Investment income	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	$ -	$ 25,822,506	$ -	$ -	$ 1,293,133	$ (1,520,297)	$ 25,595,342
The Oskar Morawetz Memorial Fund	26,000	396,731	-	-	21,169	(21,684)	396,216
Dr. Heinz Unger Scholarship Fund	17,235	141,329	-	-	7,940	(632)	148,637
The Leslie Bell Scholarship Fund	9,078	321,122	7,000	-	16,536	(11,316)	333,342
The Vida Peene Fund	-	337,069	20,712	-	16,880	(6,343)	368,318
The John Hirsch Memorial Fund	-	96,497	-	-	4,832	(384)	100,945
The Canadian Music Centre John Adaskin Memorial Fund	17,998	51,556	-	-	3,483	(277)	54,762
Colleen Peterson Songwriting Fund	-	16,298	-	-	817	(1,565)	15,550
O M A Turner -Classical Piano Fund	-	367,971	-	-	18,628	(1,482)	385,117
Lillian Allen Spoken Word Fund	-	101,799	-	-	4,897	(390)	106,306
Victoria Slager Dance Fund	-	-	30,000	-	-	-	30,000
	$ 70,311	$ 27,652,878	$ 57,712	$ -	$ 1,388,315	$ (1,564,370)	$ 27,534,535

2025	Balance of Endowment Fund	Fund balances, beginning of year	Contributions received	Transfer from (to) Operating fund	Investment income	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	$ -	$ 24,695,490	$ -	$ -	$ 2,546,976	$ (1,419,960)	$ 25,822,506
The Oskar Morawetz Memorial Fund	26,000	358,611	-	-	39,667	(1,547)	396,731
Dr. Heinz Unger Scholarship Fund	17,235	127,030	-	-	14,879	(580)	141,329
The Leslie Bell Scholarship Fund	9,078	285,399	7,000	-	29,879	(1,156)	321,122
The Vida Peene Fund	-	294,710	12,937	-	30,607	(1,185)	337,069
The John Hirsch Memorial Fund	-	87,795	-	-	9,055	(353)	96,497
The Canadian Music Centre John Adaskin Memorial Fund	17,998	45,284	-	-	6,527	(255)	51,556
Colleen Peterson Songwriting Fund	-	15,738	-	-	1,623	(1,063)	16,298
O M A Turner -Classical Piano Fund	-	338,428	-	-	34,904	(5,361)	367,971
Lillian Allen Spoken Word Fund	-	92,620	-	-	9,552	(373)	101,799
	$ 70,311	$ 26,341,105	$ 19,937	$ -	$ 2,723,669	$ (1,431,833)	$ 27,652,878

*Fund balances end of year includes accumulated remeasurement gains of $7,392,619 (2025 - $8,352,741) presented separately in the statement of financial position.