

# Province of Ontario Council for the Arts

## Management's Responsibility for Financial Information

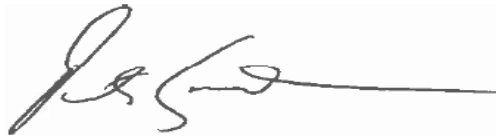
The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

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:



Peter Caldwell  
Director & CEO



Jerry Zhang  
Director of Finance and Administration

June 12, 2019



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 Tourism, Culture and Sport

### 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, 2019 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, 2019 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 relating 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.

### 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

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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  
June 12, 2019

Susan Klein, CPA, CA, LPA  
Assistant Auditor General

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Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2019

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

			2019	2018
	Operating fund	Restricted and endowment funds	Total	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,483,164	\$ 4,196,453	\$ 6,679,617	\$ 6,054,192
Accounts receivable	73,224	–	73,224	41,451
Prepaid expenses	31,503	–	31,503	123,384
	2,587,891	4,196,453	6,784,344	6,219,027
Investments (notes 2(b) and 9)	960,225	25,567,285	26,527,510	28,340,228
Capital assets (note 3)	1,340,192	–	1,340,192	1,796,704
	\$ 4,888,308	\$ 29,763,738	\$ 34,652,046	\$ 36,355,959


## Liabilities and Fund Balances

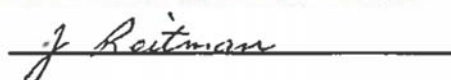
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,283,337	\$ –	\$ 1,283,337	\$ 524,499
Deferred contributions (note 4)	586,461	–	586,461	1,698,069
Current portion of deferred lease inducement	165,322	–	165,322	165,322
Current portion of employee future benefits (note 2(b))	404,666	–	404,666	228,356
	2,439,786	–	2,439,786	2,616,246
Deferred lease inducement	950,601	–	950,601	1,115,923
Employee future benefits (note 2(b))	–	–	–	145,037
Fund balances:				
Invested in capital assets	224,269	–	224,269	515,459
Restricted for endowment purposes (note 5)	–	70,311	70,311	70,311
Externally restricted funds (Schedule 2)	–	17,317,273	17,317,273	16,188,687
Internally restricted funds (note 6)	–	6,683,994	6,683,994	7,172,396
Unrestricted	1,126,818	–	1,126,818	1,648,153
Accumulated remeasurement gains	146,834	5,692,160	5,838,994	6,883,747
	1,497,921	29,763,738	31,261,659	32,478,753
	\$ 4,888,308	\$ 29,763,738	\$ 34,652,046	\$ 36,355,959

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, 2019, with comparative information for 2018

	Operating fund		Restricted and endowment funds		Total	
	2019	2018	2019	2018	2019	2018
Income:						
General grant - Province of Ontario	\$ 64,937,400	\$ 64,937,400	\$ -	\$ -	\$ 64,937,400	\$ 64,937,400
Special grants:						
Creative Engagement Fund	628,854	936,900	-	-	628,854	936,900
Canada/Ontario						
French Language Projects	159,000	65,000	-	-	159,000	65,000
Other	11,092	-	-	-	11,092	-
Indigenous Culture Fund	3,809,420	3,471,143	-	-	3,809,420	3,471,143
Investment income (note 9)	558,374	427,964	2,832,007	1,533,516	3,390,381	1,961,480
Fund administration fee (note 7(a))	72,478	74,088	-	-	72,478	74,088
Recovery of prior years' grants	122,616	94,945	-	-	122,616	94,945
Miscellaneous	68,177	37,351	-	-	68,177	37,351
Contributions	-	-	41,782	10,423	41,782	10,423
	70,367,411	70,044,791	2,873,789	1,543,939	73,241,200	71,588,730
Expenditures:						
Awards and expenses	-	-	1,502,604	1,685,590	1,502,604	1,685,590
Grants	57,205,430	54,634,714	-	100,000	57,205,430	54,734,714
Special grants	3,937,764	3,932,344	-	-	3,937,764	3,932,344
Administration (Schedule 1)	8,672,873	8,551,647	-	-	8,672,873	8,551,647
Services (Schedule 1)	2,094,870	2,091,203	-	-	2,094,870	2,091,203
	71,910,937	69,209,908	1,502,604	1,785,590	73,413,541	70,995,498
Excess of income over expenditures (expenditures over income)	(1,543,526)	834,883	1,371,185	(241,651)	(172,341)	593,232
Fund balances, beginning of year	2,336,719	2,316,713	30,142,034	29,821,031	32,478,753	32,137,744
Interfund transfers (note 6 and Schedule 2)	731,001	(808,534)	(731,001)	808,534	-	-
Net remeasurement change for the year	(26,273)	(6,343)	(1,018,480)	(245,880)	(1,044,753)	(252,223)
Fund balances, end of year	\$ 1,497,921	\$ 2,336,719	\$ 29,763,738	\$ 30,142,034	\$ 31,261,659	\$ 32,478,753

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, 2019, with comparative information for 2018

	2019	2018
Accumulated remeasurement gains, beginning of year	\$ 6,883,747	\$ 7,135,970
Unrealized gains attributed to:		
Portfolio investments	292,828	186,349
Amounts reclassified to the statement of operations:		
Portfolio investments	(1,337,581)	(438,572)
Net remeasurement change for the year	(1,044,753)	(252,223)
Accumulated remeasurement gains, end of year	\$ 5,838,994	\$ 6,883,747

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of income over expenditures (expenditures over income)	\$ (172,341)	\$ 593,232
Items not involving cash:		
Gain on income distributions	(1,370,698)	(976,888)
Gain on sale of investments	(1,547,550)	(603,028)
Amortization and impairment of capital assets	507,243	549,845
Change in deferred lease inducement	(165,322)	(165,322)
Change in non-cash operating working capital:		
Accounts receivable	(31,773)	66,016
Prepaid expenses	91,881	(75,741)
Accounts payable and accrued liabilities	758,838	(425,068)
Deferred contributions	(1,111,608)	1,355,139
Employee future benefits	31,273	(18,529)
	<u>(3,010,057)</u>	<u>299,656</u>
Capital activities:		
Purchase of capital assets	(50,731)	(75,060)
Investing activities:		
Proceeds from sale of investments, net	3,686,213	1,970,701
Increase in cash and cash equivalents	625,425	2,195,297
Cash and cash equivalents, beginning of year	6,054,192	3,858,895
Cash and cash equivalents, end of year	<u>\$ 6,679,617</u>	<u>\$ 6,054,192</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, 2019

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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 accounting standards for government not-for-profit organizations, included in the Canadian public sector accounting standards for government not-for-profit organizations.

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, 2019

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## 1. Significant accounting policies (continued):

### (c) Cash and cash equivalents:

The OAC considers deposits in banks, guaranteed investment certificates and other instruments that are cashable or with original maturities of three months or less as cash and cash equivalents.

### (d) 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.

### (e) 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 sick leave liabilities and other benefits for amounts that accrue but have not vested.

### (f) 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, 2019

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## 1. Significant accounting policies (continued):

### (g) 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:

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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

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

### (h) 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, 2019

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## 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 fair value of measurements for all of the investments held by OAC are categorized as Level 1 and Level 2.

### (i) 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, 2019

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## 1. Significant accounting policies (continued):

### (j) 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.

### (k) 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 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 \$445,678 (2018 - \$349,746) 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 Treasury Board Secretariat and is not included in the statement of operations and changes in fund balances.

The amount of unused vacation pay, and other earned benefits accrued at year-end was \$404,666 (2018 - \$373,393), of which \$404,666 (2018 - \$228,356) has been classified as a current liability.

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 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, 2019, this investment has a market value of \$960,225 (2018 - \$907,122) and is shown under the operating fund as investments.

## 3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Audiovisual equipment	\$ 143,464	\$ 97,008	\$ 46,456	\$ 71,443
Computer hardware and software	988,589	856,568	132,021	341,901
Furniture and fixtures	345,655	233,300	112,355	161,004
Office equipment	74,636	52,804	21,832	36,309
Office renovations	54,555	23,390	31,165	42,075
Leasehold improvements	1,476,093	479,730	996,363	1,143,972
	\$ 3,082,992	\$ 1,742,800	\$ 1,340,192	\$ 1,796,704

## 4. Deferred contributions:

	2019	2018
Balance, beginning of year	\$ 1,698,069	\$ 342,930
Add amount received during the year	3,406,092	5,800,000
Less amount recognized during the year	(4,517,700)	(4,444,861)
Balance, end of year	\$ 586,461	\$ 1,698,069

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 5. Fund balances restricted for endowment purposes:

	2019	2018
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
	<b>\$ 70,311</b>	<b>\$ 70,311</b>

## 6. Internally restricted fund balances:

	Fund balances, beginning of year	Transfer from (to) Operating Fund	Interfund transfers	Investment income	Awards and expenses paid	Fund balances, end of year
Venture fund	\$ 3,388,468	\$ (2,225,526)	\$ 1,075,000	\$ 295,067	\$ (45,468)	\$ 2,487,541
New ventures fund	1,075,000	-	(1,075,000)	-	-	-
Board-designated reserve fund	909,640	918,360	-	-	-	1,828,000
Capital fund	1,000,000	1,000,000	-	-	-	2,000,000
Granting programs fund	799,288	(430,835)	-	-	-	368,453
	<b>\$ 7,172,396</b>	<b>\$ (738,001)</b>	<b>\$ -</b>	<b>\$ 295,067</b>	<b>\$ (45,468)</b>	<b>6,683,994</b>

## 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.

	2019	2018
Fund administration fee	\$ 72,478	\$ 74,088

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 7. Related party transactions (continued):

- (b) During the year, the OAC allocated a portion of its monthly office rental fees and a portion of its general and administrative costs to the Ontario Arts Foundation (the "Foundation"). The Foundation is controlled by the OAC's Board of Directors through election of the Foundation's Board of Directors. General and administrative costs allocated amounted to \$10,395 (2018 - \$25,276) and total rent allocated amounted to \$2,543 (2018 - \$10,800). During the year, an award administration cost was allocated to the Foundation with the amount of \$10,629 (2018 - \$15,055).

## 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 the Chartered Professional Accountants of Canada's Accounting Standards for 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, 2019

## 8. Ontario Arts Foundation (continued):

The majority of the fund balances, \$47,590,367 of the total of \$82,551,074 (2018 - \$47,255,029 of the total of \$80,063,923), 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 Public Sector Accounting Standards, are as follows:

### (a) Financial position:

	2019	2018
<b>Assets</b>		
Cash and investments	\$ 82,782,796	\$ 80,096,014
<b>Liabilities and Fund Balances</b>		
Accounts payable and accrued liabilities	\$ 231,722	\$ 32,091
Fund balances	82,551,074	80,063,923
	<b>\$ 82,782,796</b>	<b>\$ 80,096,014</b>

### (b) Changes in fund balances:

	2019	2018
Fund balances, beginning of year	\$ 80,063,923	\$ 77,743,156
Contributions received	2,310,614	3,754,510
Investment gain	4,986,526	2,608,938
Fund administration fee	412,126	400,397
Awards and expenses	(6,232,003)	(5,074,151)
Net remeasurement gains	1,009,888	631,073
Fund balances, end of year	<b>\$ 82,551,074</b>	<b>\$ 80,063,923</b>

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 8. Ontario Arts Foundation (continued):

(c) Cash flows:

	2019	2018
Cash flows used in operating activities	\$ (2,433,523)	\$ (1,751,796)
Cash flows from investing activities	2,996,431	1,775,606
	\$ 562,908	\$ 23,810

## 9. Investments and investment income:

Net investment income comprises the following:

	2019	2018
Income distributions	\$ 1,370,698	\$ 976,888
Realized gains	1,547,550	603,028
Bank interest	472,133	381,564
	\$ 3,390,381	\$ 1,961,480

The asset mix of the investments is as follows:

	2019	2018
Foreign equities, predominantly U.S.	38%	40%
Fixed income securities	26%	23%
Canadian equities	23%	19%
Alternative investments	12%	16%
Cash and cash equivalents	1%	2%

The OAC currently holds \$6,987,153 (cost - \$5,379,004) (2018 - \$6,518,252 (cost - \$4,934,991)) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 0.75% to 9.98% (2018 - 0.50% to 8.29%) for the year ended March 31, 2019.

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 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 2018. For the OAC, this disclosure is shown below:

Name	Title	Salary	Taxable benefits
Patricia Bradley	Theatre, Major Organizations and Compass Officer	\$ 102,520	\$ 155
Peter Caldwell	Director and CEO	236,750	350
Kirsten Gunter	Director of Communications	130,687	190
Mark Haslam	Media Arts Officer	100,195	151
Bushra Junaid	Outreach and Development Manager and Access and Career Development Officer	106,384	160
Nasreen Khan	Arts Education Officer and Artists in Residence (Education) Administrator	103,776	154
Syed Naqvi	Manager of Information Systems and Technology	121,350	152
David Parsons	Classical Music Officer	102,520	155
Nina Small	Director of Human Resources	129,755	189
Kathryn Townshend	Director of Research, Policy and Evaluation	130,438	190
Carolyn Vesely	Director of Granting	151,019	219
Myles Warren	Dance and Awards Officer	102,667	155
Jerry Zhang	Director of Finance and Administration	147,675	215

## 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:

2020	\$ 737,887
2021	737,734
2022	750,715
2023	750,715
2024	750,715
2025 and thereafter	1,313,751
	<u>\$ 5,041,517</u>

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 11. Commitments (continued):

### (b) Grant commitments:

The OAC has approved grants of \$368,453 (2018 - \$799,288), 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 \$507,938 (2018 - \$1,538,161), 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. The OAC currently does not use any hedging strategies to mitigate the exposure.

### (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, 2019

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## **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 2018.

## **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, 2019, with comparative information for 2018

	2019	2018
Administration expenses:		
Salaries and benefits (notes 2(b) and 10)	\$ 6,597,362	\$ 6,077,926
Office rent and hydro (note 7(b))	559,736	535,220
Amortization of capital assets	507,243	549,845
Information services	278,943	413,358
Communications	178,614	185,656
Travel	115,394	157,037
Miscellaneous	92,729	93,956
Consulting and legal fees	75,298	181,141
Meetings	70,985	128,216
Maintenance and equipment rental	70,740	82,952
Telephone, postage and delivery	52,361	59,108
Personnel hiring and training	51,334	44,031
Office supplies, printing and stationery	22,134	43,201
	<u>8,672,873</u>	<u>8,551,647</u>
Services:		
Other programs	1,037,612	1,092,668
Jurors and advisors	738,649	671,607
Canada/Ontario French language projects	318,609	326,928
	<u>2,094,870</u>	<u>2,091,203</u>
	<u>\$ 10,767,743</u>	<u>\$ 10,642,850</u>

# PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

## Schedule 2 - Externally Restricted and Endowment Funds

Year ended March 31, 2019, with comparative information for 2018

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

2018	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	\$ —	\$ 22,547,776	\$ —	\$ —	\$ 1,032,891	\$ (1,502,542)	\$ 22,078,125
The Oskar Morawetz Memorial Fund	26,000	279,798	—	—	14,008	(3,374)	290,432
Dr. Heinz Unger Scholarship Fund	17,235	92,762	—	—	5,039	(9,196)	88,605
The Leslie Bell Scholarship Fund	9,078	161,850	—	7,000	7,830	(1,866)	174,814
The Vida Peene Fund	—	142,416	10,424	—	6,524	(6,551)	152,813
The John Hirsch Memorial Fund	—	67,740	—	—	3,103	(6,036)	64,807
The Canadian Music Centre John Adaskin Memorial Fund	17,998	27,108	—	—	2,066	(3,503)	25,671
Colleen Peterson Songwriting Fund	—	17,233	—	—	789	(1,391)	16,631
The Ruth Schwartz Fund	—	7,179	—	—	329	(79)	7,429
	\$ 70,311	\$ 23,343,862	\$ 10,424	\$ 7,000	\$ 1,072,579	\$ (1,534,538)	\$ 22,899,327

\*Fund balances end of year include unrealized gain of \$5,692,160 (2018 - \$6,710,640) as presented in the statement of financial position.