

Financial Statements of

**TORONTO INTERNATIONAL  
FILM FESTIVAL, INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2023

24 (1)

## INDEPENDENT AUDITOR'S REPORT

To the Members of Toronto International Film Festival, Inc.

### **Opinion**

We have audited the financial statements of Toronto International Film Festival, Inc., (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 2,615,750	\$ 9,798,948
Accounts receivable	4,811,950	8,996,831
Inventory	313,467	64,707
Prepaid expenses	575,922	351,052
	8,317,089	19,211,538
Investments restricted for endowments (note 2(a))	2,155,420	2,181,611
Capital assets (note 3)	84,972,458	86,059,053
	<b>\$ 95,444,967</b>	<b>\$ 107,452,202</b>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 4,476,673	\$ 6,477,071
Deferred revenue	2,697,815	1,120,507
Current portion of long-term debt (note 4)	1,891,408	1,868,362
	9,065,896	9,465,940
Long-term debt (note 4)	18,249,592	19,882,677
Other long-term liabilities (note 5)	378,592	506,646
	27,694,080	29,855,263
Fund balances:		
Operating Fund	4,448,389	11,032,296
Building Fund	61,144,805	64,380,759
Endowment Fund	2,157,693	2,183,884
	67,750,887	77,596,939
Commitments (note 9)		
	<b>\$ 95,444,967</b>	<b>\$ 107,452,202</b>

See accompanying notes to financial statements.

On behalf of the Board:

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Director

Director

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Statement of Operations and Changes in Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	Operating Fund	Building Fund	Endowment Fund	2023 Total	2022 Total
<b>Earned revenue:</b>					
Ticket sales	\$ 11,352,266	\$ -	\$ -	\$ 11,352,266	\$ 10,609,896
Rentals	1,824,894	-	-	1,824,894	1,519,038
Membership	1,254,085	-	-	1,254,085	777,801
Retail and concessions	1,639,268	-	-	1,639,268	992,392
Service fees and commissions	1,079,124	-	-	1,079,124	847,325
Investment (note 2(b))	490,101	6,498	57,828	554,427	553,028
	17,639,738	6,498	57,828	17,704,064	15,299,480
<b>Contributed revenue:</b>					
Sponsorships	12,100,572	-	-	12,100,572	13,446,991
<b>Grants (note 6):</b>					
Federal	1,331,337	-	-	1,331,337	11,788,329
Provincial	1,790,741	-	-	1,790,741	1,779,339
Municipal	1,215,185	-	-	1,215,185	1,199,235
Other	199,488	-	-	199,488	173,711
	4,536,751	-	-	4,536,751	14,940,614
<b>Philanthropic donations</b>	<b>5,295,884</b>	<b>600</b>	<b>-</b>	<b>5,296,484</b>	<b>4,878,732</b>
	21,933,207	600	-	21,933,807	33,266,337
	39,572,945	7,098	57,828	39,637,871	48,565,817
<b>Expenses:</b>					
Operational	45,399,450	14	19	45,399,483	39,350,609
Amortization	800,477	2,515,952	-	3,316,429	3,242,619
Interest	40,925	727,086	-	768,011	840,860
	46,240,852	3,243,052	19	49,483,923	43,434,088
<b>Excess (deficiency) of revenue over expenses</b>	<b>(6,667,907)</b>	<b>(3,235,954)</b>	<b>57,809</b>	<b>(9,846,052)</b>	<b>5,131,729</b>
<b>Fund balances, beginning of year</b>	<b>11,032,296</b>	<b>64,380,759</b>	<b>2,183,884</b>	<b>77,596,939</b>	<b>72,465,210</b>
<b>Interfund transfers (note 7)</b>	<b>84,000</b>	<b>-</b>	<b>(84,000)</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 4,448,389</b>	<b>\$ 61,144,805</b>	<b>\$ 2,157,693</b>	<b>\$ 67,750,887</b>	<b>\$ 77,596,939</b>

See accompanying notes to financial statements.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash (used in) provided by:		
Operations:		
Excess of revenue over expenses	\$ (9,846,052)	\$ 5,131,729
Charges to operations not affecting cash:		
Amortization	3,316,429	3,242,619
Amortization of deferred capital contributions	(121,401)	(178,305)
Amortization of deferred financing fees	68,866	68,864
Post-employment recovery	(6,653)	(43,130)
Change in unrealized gain on investments restricted for endowments	(48,319)	(80,495)
Reinvested investment earnings	(9,509)	(6,939)
Interest accrued on long-term debt	189,459	218,119
Change in non-cash operating working capital	3,288,161	(3,332,445)
	(3,169,019)	5,020,017
Financing:		
Principal repayments on long-term debt	(1,650,245)	(1,553,928)
Payment of interest accrued on long-term debt	(218,119)	(245,797)
	(1,868,364)	(1,799,725)
Investments:		
Additions to capital assets	(2,229,834)	(1,190,549)
Proceeds from redemption of investments restricted for endowments	84,019	100,021
	(2,145,815)	(1,090,528)
Increase (decrease) in cash	(7,183,198)	2,129,764
Cash, beginning of year	9,798,948	7,669,184
Cash, end of year	\$ 2,615,750	\$ 9,798,948
Supplemental cash flow information:		
Interest paid on long-term debt	\$ 721,948	\$ 775,950

See accompanying notes to financial statements.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Notes to Financial Statements

Year ended December 31, 2023

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Toronto International Film Festival, Inc. (the "Organization") is incorporated without share capital under the laws of Ontario. Its principal activities, which operate under the trade name TIFF, include the Toronto International Film Festival, TIFF Bell Lightbox programming 365 days per year (Film Programmes, Exhibitions, Public Learning Programmes, Film Reference Library, etc.), TIFF Kids International Film Festival and Film Circuit (a national film exhibition programme).

The Organization is designated as a not-for-profit charitable organization by the Canada Revenue Agency and, accordingly, is exempt from income taxes.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

#### (a) Fund accounting:

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

The Operating Fund accounts for the Organization's program delivery and administration activities.

The Building Fund reports assets, liabilities, revenue and expenses related to the Organization's building expansion campaign.

The Endowment Fund reports resources contributed for endowment.

#### (b) Translation of foreign currencies:

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenses have been translated using exchange rates prevailing on the transaction dates. Gains and losses arising from these translation policies are included in the statement of operations and changes in fund balances.



# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (c) Revenue recognition:

Ticket sales, rentals, service fees and commissions and sponsorships are recognized as revenue when the specific event occurs and the amount of revenue to be received can be reasonably estimated and collection is reasonably assured. Amounts received during the year for events to be held in the future are recorded as deferred revenue, to be recognized as revenue when the event takes place and the related benefits are delivered.

Membership revenue is recognized as revenue in the year to which the membership applies and the amount of revenue to be received can be reasonably estimated and collection is reasonably assured. Any memberships purchased in advance are recorded as deferred revenue until they become effective.

Retail and concessions revenue are recorded at the time of sale.

The Organization applies annually for government grants to assist in the funding of its program delivery. Grants are recognized as revenue in the year to which the grants apply. Amounts received in advance of the programs are recorded as deferred revenue and recognized in the year in which the related programs are executed.

Philanthropic donations are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchases of Operating Fund capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income, which is recorded on the accrual basis, includes interest, dividends and the change in unrealized gain. Investment revenue earned on resources of the Endowment Fund is reported in the year earned within the Endowment Fund.

Other externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry non-equity securities at fair value.

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. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (e) Inventory:

Inventory is recorded at the lower of cost and net realizable value.

### (f) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution except the Organization maintains a library of donated films and film-related material recognized at a nominal value of \$1. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Long-lived assets, including capital assets, are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the long-lived assets are less than their net carrying amounts.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 1. Significant accounting policies (continued):

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Information technology	5 years
Audiovisual equipment	10 years
Furniture and equipment	10 years

### (g) Gifts in kind:

The Organization receives contributions of goods and materials, as well as a significant amount of time from a substantial number of volunteers each year. The value of these contributions is not recognized or disclosed in these financial statements due to the difficulty of determining the fair value of the contributions.

### (h) 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 revenue and expenses during the year. Actual results could differ from those estimates.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 2. Investments:

(a) Investments restricted for endowments comprise mutual fund units, invested primarily in Canadian and foreign equities, which are valued at \$2,149,848 (2022 - \$2,176,019), and cash of \$5,572 (2022 - \$5,592).

(b) Investment revenue:

	2023			2022		
	Operating Fund	Building Fund	Endowment Fund	Operating Fund	Building Fund	Endowment Fund
Interest	\$ 490,101	\$ 6,498	\$ —	\$ 465,378	\$ 216	\$ —
Dividends and realized gains	—	—	9,509	—	—	6,939
Change in unrealized gain on investments	—	—	48,319	—	—	80,495
	\$ 490,101	\$ 6,498	\$ 57,828	\$ 465,378	\$ 216	\$ 87,434

## 3. Capital assets:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 13,200,000	\$ —	\$ 13,200,000	\$ 13,200,000
Building	100,638,074	33,489,250	67,148,824	69,664,776
Information technology	7,337,613	6,954,097	383,516	382,522
Audiovisual equipment	12,090,056	10,240,917	1,849,139	1,572,705
Furniture and equipment	7,877,963	5,486,984	2,390,979	1,239,050
	\$ 141,143,706	\$ 56,171,248	\$ 84,972,458	\$ 86,059,053

The Organization currently maintains a library of donated films and film-related material recognized at a nominal value of \$1. The collection has been kept current and is added to regularly. Part of this collection is owned by the Province of Ontario. The rest of the collection, which consists of acquired special collections, is owned by the Organization. The collection is reviewed regularly, and the Organization will periodically deaccession damaged and superfluous items contained in the collection. There were no disposals or write downs during the year. The insured value of these collections is \$22,745,796 (2022 - \$22,706,621).

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 4. Credit facilities:

The Organization has a \$5,000,000 demand operating line of credit with <sup>24 (1)</sup> bearing interest at prime plus 1.30%, secured by a general security agreement covering all assets of the Organization. At December 31, 2023 and 2022, no amount was drawn against this line of credit.

	2023	2022
Term loan, original balance of \$18,857,151, repayable monthly at \$105,433 including interest at a fixed rate of 3.09%, maturing November 2039	\$ 15,890,848	\$ 16,652,214
Debentures, original balance of \$11,000,000, repayable \$960,518 principal including interest annually on January 15 at a fixed rate of 3.58% per annum, maturing January 2028	4,326,979	5,104,747
Term loan <sup>24 (1)</sup> original balance of \$1,000,000, repayable \$9,259 principal plus interest monthly at a fixed rate of 4%, maturing May 2031	824,074	935,185
Accrued interest	189,459	218,119
	21,231,360	22,910,265
Less deferred financing fees, net of accumulated amortization of \$286,937 (2022 - \$218,071)	1,090,360	1,159,226
	20,141,000	21,751,039
Less current portion, including accrued interest	1,891,408	1,868,362
	\$ 18,249,592	\$ 19,882,677

The debentures and term loans are secured by a general security agreement covering all of the assets of the Organization.

Under the terms of the agreement, the Organization is required to comply with certain financial covenants. As at December 31, 2023, the Organization is in compliance with the financial covenants.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 4. Credit facilities (continued):

The principal repayments on the amounts outstanding under the debentures and term loans are due as follows:

2024	\$ 1,701,949
2025	1,755,401
2026	1,810,655
2027	1,867,775
2028	1,926,823
Thereafter	11,979,298
	<u>\$ 21,041,901</u>

## 5. Other long-term liabilities:

Other long-term liabilities include the following:

- (a) In prior years, the Organization had entered into post-employment agreements with certain former employees. At December 31, 2023, no amounts are owing in connection with these agreements (2022 - \$6,653 in long-term liabilities and \$423,921 in accounts payable and accrued liabilities).
- (b) The Organization has received restricted grants for the purchase of operating capital assets. The balance of unamortized deferred capital contributions as at December 31, 2023 is \$378,592 (2022 - \$499,993). During the year, the Organization amortized \$121,401 (2022 - \$178,305) as revenue in the statement of operations and changes in fund balances.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 6. Grants:

Grant contributions in the Operating Fund are as follows:

	2023	2022
<b>Federal:</b>		
Tourism and Hospitality Recovery Program	\$ —	\$ 1,795,241
Major Festivals and Events Support Initiative	—	7,836,314
Telefilm Canada	880,000	1,680,400
Department of Canadian Heritage	11,766	11,766
Canada Council	244,600	204,600
Federal Economic Development Agency for Southern Ontario	69,971	86,875
Canada Media Fund	100,000	100,000
Employment and Social Development Canada	25,000	73,133
	<u>1,331,337</u>	<u>11,788,329</u>
<b>Provincial:</b>		
Ontario Media Development Corporation (operating as Ontario Creates)	1,321,500	1,282,000
Ontario Arts Council	344,241	282,241
Ministry of Heritage, Sport, Tourism and Culture Industries	125,000	158,455
Ministry of Energy, Northern Development and Mines	—	56,643
	<u>1,790,741</u>	<u>1,779,339</u>
<b>Municipal:</b>		
City of Toronto	1,215,185	1,199,235
<b>Other:</b>		
Government	126,488	46,636
Non-government	73,000	127,075
	<u>199,488</u>	<u>173,711</u>
	<u>\$ 4,536,751</u>	<u>\$ 14,940,614</u>

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 7. Interfund transfer:

During the year, in accordance with the Endowment Management Policy, \$84,000 (2022 - \$200,000) was transferred from the Endowment Fund to the Operating Fund. In 2022, the Board of Directors approved a transfer from the Operating Fund to the Building Fund for the purpose of satisfying long-term debt payments for 2022 and 2023 in the amount of \$4,451,092.

## 8. Endowment Fund held by Ontario Arts Foundation:

The market value of the funds held by the Ontario Arts Foundation for the Organization at December 31, 2023 is \$7,204,159 (2022 - \$6,474,605). No donations were transferred in the current year.

Interest earned in 2023 was \$330,592 (2022 - \$353,996) and is included in Operating Fund interest on the statement of operations and changes in fund balances.

## 9. Commitments:

The Organization rents a portion of its premises under an operating lease, has leased equipment and has entered into long-term software and service licence agreements. Approximate future minimum payments under these agreements are as follows:

2024	\$ 726,000
2025	854,000
2026	575,000
2027	500,000
2028	500,000
2029	125,000
	<u>\$ 3,280,000</u>



# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 10. Financial risks:

The Organization's activities expose it to a variety of financial risks: liquidity risk, credit risk and interest rate risk. The Organization's overall management program and business practices seek to minimize any potential adverse effect of those risks on the Organization's results of operations. Risk management is carried out by the senior management team under policies approved by the Board of Directors.

There is no change to the risk exposure from 2022.

### (a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Organization monitors the credit risk of customers.

### (c) Interest rate risk:

As the Organization's long-term debt is locked in fixed rates with lenders, it is not exposed to significant interest rate risk.