

Financial Statements of

**TORONTO INTERNATIONAL
FILM FESTIVAL, INC.**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of Toronto International Film Festival, Inc.

We have audited the accompanying financial statements of Toronto International Film Festival, Inc., which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto International Film Festival, Inc. as at December 31, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 1, 2017
Vaughan, Canada

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Statement of Financial Position

December 31, 2016, with comparative information for 2015

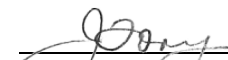
	2016	2015
Assets		
Current assets:		
Cash	\$ 7,375,645	\$ 9,131,658
Accounts receivable	2,312,816	1,330,063
Inventory	241,859	195,274
Prepaid expenses	289,685	364,765
Investments restricted for Building Fund (note 2(a))	2,017,207	1,283,670
	<u>12,237,212</u>	<u>12,305,430</u>
Investments restricted for endowments (note 2(b))	1,959,647	1,791,621
Capital assets (note 3)	105,438,361	109,339,987
	<u>\$ 119,635,220</u>	<u>\$ 123,437,038</u>

Liabilities and Fund Balances

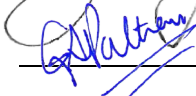
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,948,352	\$ 3,372,531
Deferred revenue	1,888,926	1,723,620
Current portion of long-term debentures (note 4)	3,867,260	3,828,065
	<u>9,704,538</u>	<u>8,924,216</u>
Long-term debentures (note 4)	30,378,594	33,183,564
Fund balances:		
Operating Fund	(4,036,694)	(3,133,870)
Building Fund	81,628,591	82,671,507
Endowment Fund	1,960,191	1,791,621
	<u>79,552,088</u>	<u>81,329,258</u>
Commitments (note 7)		
	<u>\$ 119,635,220</u>	<u>\$ 123,437,038</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2016, with comparative information for 2015

	Operating Fund	Building Fund	Endowment Fund	2016 Total	2015 Total
Earned revenue:					
Ticket sales	\$ 14,772,818	\$ –	\$ –	\$ 14,772,818	\$ 13,945,384
Rentals	1,837,388	–	–	1,837,388	2,010,490
Membership	1,275,742	–	–	1,275,742	1,482,899
Retail and concessions	1,109,190	–	–	1,109,190	1,170,389
Service fees and commissions	1,217,882	–	–	1,217,882	1,210,954
Investment (note 2(c))	329,708	1,606	168,475	499,789	371,262
	20,542,728	1,606	168,475	20,712,809	20,191,378
Contributed revenue:					
Sponsorships	10,633,907	1,385,000	–	12,018,907	14,385,707
Grants (note 5):					
Federal	1,575,225	–	–	1,575,225	1,242,299
Provincial	1,976,185	–	–	1,976,185	2,266,792
Municipal	1,144,195	–	–	1,144,195	1,055,000
Other	151,759	–	–	151,759	207,972
	4,847,364	–	–	4,847,364	4,772,063
Philanthropic donations	4,503,815	2,725,742	100	7,229,657	5,710,787
	19,985,086	4,110,742	100	24,095,928	24,868,557
	40,527,814	4,112,348	168,575	44,808,737	45,059,935
Expenses:					
Operational	40,330,227	171	5	40,330,403	40,427,921
Amortization	1,100,221	3,597,482	–	4,697,703	4,894,493
Interest	190	1,557,611	–	1,557,801	1,681,117
Donations transferred to the Ontario Arts Council Foundation (note 6)	–	–	–	–	188
	41,430,638	5,155,264	5	46,585,907	47,003,719
Excess (deficiency) of revenue over expenses	(902,824)	(1,042,916)	168,570	(1,777,170)	(1,943,784)
Fund balances, beginning of year	(3,133,870)	82,671,507	1,791,621	81,329,258	83,273,042
Fund balances, end of year	\$ (4,036,694)	\$ 81,628,591	\$ 1,960,191	\$ 79,552,088	\$ 81,329,258

See accompanying notes to financial statements.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (1,777,170)	\$ (1,943,784)
Charges to operations not affecting cash:		
Amortization	4,697,703	4,894,493
Unrealized gain on investments restricted for endowments	(97,455)	(9,106)
Interest accrued on debentures	1,062,290	1,147,653
Change in non-cash operating working capital	(213,131)	1,631,161
	<u>3,672,237</u>	<u>5,720,417</u>
Financing:		
Principal repayments on debentures	(2,680,412)	(2,561,464)
Payment of interest accrued on debentures	(1,147,653)	(1,229,247)
	<u>(3,828,065)</u>	<u>(3,790,711)</u>
Investments:		
Additions to capital assets	(796,077)	(694,603)
Net change in investments restricted for Building Fund	(733,537)	2,407,637
Net change in investments restricted for endowments	(70,571)	35,830
	<u>(1,600,185)</u>	<u>1,748,864</u>
Increase (decrease) in cash	(1,756,013)	3,678,570
Cash, beginning of year	9,131,658	5,453,088
Cash, end of year	<u>\$ 7,375,645</u>	<u>\$ 9,131,658</u>
Supplemental cash flow information:		
Interest paid on debentures	\$ 1,642,975	\$ 1,761,923

See accompanying notes to financial statements.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements

Year ended December 31, 2016

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) 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.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

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.

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 deferred as deferred contributions and recognized in the year in which the related programs are executed.

Contributions to the Building Fund and the Endowment Fund 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.

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 period earned within the Endowment Fund.

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

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

(c) 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.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

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.

Investments held by the Organization are restricted for use by the Building Fund and the Endowment Fund.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency, market or credit risk arising from financial instruments.

(d) Inventory:

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

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

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

(f) 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.

(g) 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Investments:

(a) Investments restricted for Building Fund comprise cash and cash equivalents.

(b) Investments restricted for endowments comprise mutual fund units, invested primarily in Canadian and foreign equities, which are valued at \$1,954,034 (2015 - \$1,785,559), and cash of \$5,613 (2015 - \$6,062).

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Investments (continued):

(c) Investment revenue:

	2016			2015		
	Operating Fund	Building Fund	Endowment Fund	Operating Fund	Building Fund	Endowment Fund
Interest	\$ 329,708	\$ 869	\$ –	\$ 319,551	\$ 844	\$ –
Dividends	–	737	71,020	–	11,015	30,746
Change in unrealized gain on investments	–	–	97,455	–	–	9,106
	\$ 329,708	\$ 1,606	\$ 168,475	\$ 319,551	\$ 11,859	\$ 39,852

3. Capital assets:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 13,200,000	\$ –	\$ 13,200,000	\$ 13,200,000
Building	100,638,074	15,877,587	84,760,487	87,276,439
Information technology	7,376,328	6,020,991	1,355,337	1,870,717
Audiovisual equipment	9,639,197	5,642,522	3,996,675	4,589,996
Furniture and equipment	4,741,796	2,615,934	2,125,862	2,402,835
	\$ 135,595,395	\$ 30,157,034	\$ 105,438,361	\$ 109,339,987

4. Credit facilities:

The Organization has a \$5,000,000 demand operating line of credit with Royal Bank of Canada, bearing interest at prime plus 1.30%, secured by a general security agreement covering all assets of the Organization. At year end, nil (2015 - nil) has been drawn against this line of credit.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Credit facilities (continued):

The Organization had arranged with Ontario Infrastructure Projects Corporation, through the Ontario Strategic Infrastructure Finance Authority and administered by Infrastructure Ontario, a construction loan and long-term credit facility in the amount of \$46,000,000. On May 17, 2010, the Organization converted \$35,000,000 of the construction loan to six 15-year debentures, each carrying an interest rate of 4.96% per annum. On January 15, 2013, the Organization converted the \$11,000,000 remainder of the construction loan to three 15-year debentures, each carrying an interest rate of 3.58% per annum. The debentures are secured by a general security agreement covering all of the assets of the Organization.

During the year, the Organization made principal repayment, on the debentures totalling \$2,680,412 (2015 - \$2,561,465). At December 31, 2016, the total amount owing under the construction facility is \$33,183,564 (2015 - \$35,863,977).

The debentures are repayable as follows:

	2016	2015
Debtentures, original balance of \$35,000,000, repayable \$3,362,869 principal plus interest annually on May 17 at a fixed rate of 4.96% per annum, maturing in May 2025	\$ 23,945,309	\$ 26,017,700
Debtentures, original balance of \$11,000,000, repayable \$960,518 principal plus interest annually on January 15 at a fixed rate of 3.58% per annum, maturing in January 2028	9,238,255	9,846,277
Accrued interest	1,062,290	1,147,652
	34,245,854	37,011,629
Less current portion	3,867,260	3,828,065
	\$ 30,378,594	\$ 33,183,564

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Grants:

Grant contributions in the Operating Fund are as follows:

	2016	2015
Federal:		
Telefilm Canada	\$ 979,710	\$ 979,710
Department of Canadian Heritage	281,753	3,150
Canada Council	235,071	233,471
Federal Economic Development Agency for Southern Ontario	25,666	16,904
Library and Archives Canada	20,625	–
Employment and Social Development Canada	18,400	–
Canada Media Fund	8,000	–
Cultural Human Resources Council	6,000	5,000
Consulate General of Canada	–	4,064
	<u>1,575,225</u>	<u>1,242,299</u>
Provincial:		
Ontario Media Development Corporation	1,350,000	1,355,357
Ministry of Tourism, Culture and Sport	325,338	479,782
Ontario Arts Council	289,813	289,813
Ontario Cultural Attractions Fund	11,034	128,966
Ontario Tourism Marketing Partnership	–	12,874
	<u>1,976,185</u>	<u>2,266,792</u>
Municipal:		
City of Toronto	1,144,195	1,055,000
Other:		
Government	110,637	181,055
Non-Government	41,122	26,917
	<u>151,759</u>	<u>207,972</u>
	<u>\$ 4,847,364</u>	<u>\$ 4,772,063</u>

6. Endowment Fund held by Ontario Arts Council Foundation:

The total of the Endowment Fund held by the Ontario Arts Council Foundation for the Organization at December 31, 2016 is \$6,504,015 (2015 - \$6,171,701). No donations were transferred in the current year.

The capital is held in perpetuity and the income is available to support the ongoing activities of the Organization. Interest earned in 2016 was \$268,222 (2015 - \$252,977) and is included in interest from operations on the statement of operations and changes in fund balances.

TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Commitments:

Lease obligations:

The Organization rents a portion of its premises under an operating lease and has leased equipment. Approximate future minimum payments under these leases are as follows:

2017	\$ 314,000
2018	328,000
2019	330,000
2020	298,000
2021	294,000
Thereafter	1,112,000
	<hr/>
	\$ 2,676,000

8. Donated collections:

The Organization currently maintains a library of donated films and film-related material. Over the past 15 years, the collection has been kept current and has increased in size. 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. These donated items have not been recorded in these financial statements. The insured value of these collections is \$20,513,191 (2015 - \$17,953,896).