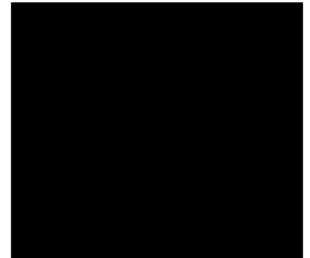


# The Toronto Symphony

**Financial statements**

**June 30, 2018**



# Independent auditors' report

To the Members of  
**The Toronto Symphony**

## Report on the financial statements

We have audited the accompanying financial statements of **The Toronto Symphony**, which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net deficiency and cash flows for the year then ended, and 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 the auditors' 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, the auditors 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.

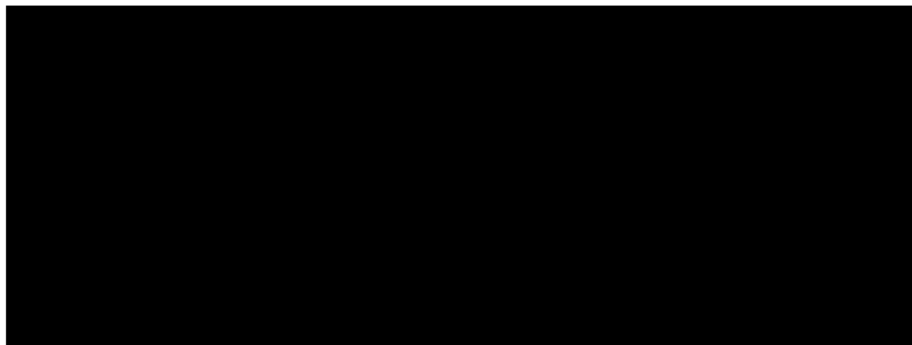
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Toronto Symphony** as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada  
September 24, 2018



# The Toronto Symphony

Incorporated without share capital under the laws of Ontario

## Statement of financial position

As at June 30

	2018	2017
	\$	\$
<b>Assets [note 5]</b>		
<b>Current</b>		
Accounts receivable [note 3]	1,476,139	1,284,420
Prepaid expenses	395,069	224,338
<b>Total current assets</b>	<b>1,871,208</b>	<b>1,508,758</b>
Capital assets, net [note 4]	4,901,410	4,832,135
	<b>6,772,618</b>	<b>6,340,893</b>
<b>Liabilities and net deficiency</b>		
<b>Current</b>		
Bank indebtedness [note 5]	3,546,406	4,920,880
Accounts payable and accrued liabilities [notes 6, 9 and 12[a]]	2,167,467	1,996,961
Advanced ticket sales	3,293,883	3,569,714
Deferred contributions [note 7]	1,754,959	2,638,349
<b>Total current liabilities</b>	<b>10,762,715</b>	<b>13,125,904</b>
Deferred capital contributions [note 8]	45,805	64,127
Deferred lease inducements [note 9]	378,378	—
Advanced ticket sales	123,380	—
<b>Total liabilities</b>	<b>11,310,278</b>	<b>13,190,031</b>
Commitments [note 14]		
<b>Net deficiency</b>	<b>(4,537,660)</b>	<b>(6,849,138)</b>
	<b>6,772,618</b>	<b>6,340,893</b>

See accompanying notes

On behalf of the Board:



Catherine Beck  
Director



Rags Davloor  
Director

# The Toronto Symphony

## Statement of operations

Year ended June 30

	2018	2017
	\$	\$
<b>Revenue</b>		
Fundraising [excluding funds raised for The Toronto Symphony Foundation] <i>[notes 7, 8 and 12[b]]</i>	9,879,847	9,851,533
Subscriptions and other tickets <i>[note 10]</i>	9,826,796	8,471,731
Government grants <i>[note 11]</i>	8,229,388	8,728,548
The Toronto Symphony Foundation <i>[note 12[a]]</i>	1,840,000	2,249,000
Fundraising special events	586,080	63,132
Other	795,642	861,334
Student concerts and other education	305,220	292,886
Toronto Symphony Volunteer Committee	150,000	125,000
	<b>31,612,973</b>	<b>30,643,164</b>
<b>Expenses</b>		
Production	20,433,352	19,620,370
Marketing	3,165,079	3,317,014
Administration	3,439,988	3,642,103
Touring	152,551	1,942,873
Fundraising <i>[note 12[b]]</i>	1,813,395	1,836,737
Fundraising special events	179,223	67,877
Interest <i>[note 5]</i>	117,907	203,476
	<b>29,301,495</b>	<b>30,630,450</b>
<b>Surplus of revenue over expenses for the year</b>	<b>2,311,478</b>	<b>12,714</b>

See accompanying notes

**The Toronto Symphony**

**Statement of changes in net deficiency**

Year ended June 30

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Net deficiency, beginning of year</b>	<b>(6,849,138)</b>	<b>(6,861,852)</b>
Surplus of revenue over expenses for the year	<b>2,311,478</b>	<b>12,714</b>
<b>Net deficiency, end of year</b>	<b>(4,537,660)</b>	<b>(6,849,138)</b>

*See accompanying notes*

## The Toronto Symphony

### Statement of cash flows

Year ended June 30

	2018	2017
	\$	\$
<b>Operating activities</b>		
Surplus of revenue over expenses for the year	2,311,478	12,714
Add (deduct) items not involving cash		
Amortization of capital assets	276,870	268,773
Amortization of deferred capital contributions	(18,322)	(18,322)
Lease inducement, free rent period	141,813	—
Amortization of deferred lease inducements	(25,974)	(27,100)
	<u>2,685,865</u>	<u>236,065</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(191,719)	299,769
Prepaid expenses	(170,731)	98,646
Accounts payable and accrued liabilities	149,167	(863,499)
Advanced ticket sales	(152,451)	178,817
Deferred contributions	(883,390)	790,578
<b>Cash provided by operating activities</b>	<u>1,436,741</u>	<u>740,376</u>
<b>Investing activities</b>		
Purchase of capital assets	(346,145)	(141,716)
<b>Cash used in investing activities</b>	<u>(346,145)</u>	<u>(141,716)</u>
<b>Financing activities</b>		
Decrease in bank indebtedness	(1,374,474)	(598,660)
Deferred lease inducements	283,878	—
<b>Cash used in financing activities</b>	<u>(1,090,596)</u>	<u>(598,660)</u>
<b>Net change in cash during the year</b>	—	—
Cash, beginning of year	—	—
<b>Cash, end of year</b>	<u>—</u>	<u>—</u>

See accompanying notes

# The Toronto Symphony

## Notes to financial statements

Year ended June 30

### 1. Description of organization

The Toronto Symphony [the "Symphony"] is a not-for-profit performing arts organization incorporated under the *Corporations Act* (Ontario). The Symphony provides performances of orchestral repertoire and serves a spectrum of musical needs within the Toronto community. The Symphony is registered under the *Income Tax Act* (Canada) as a charitable organization and, as such, is exempt from income taxes.

The financial statements of the Symphony do not include the net assets and income of The Toronto Symphony Foundation [the "Foundation"] [note 12] or the Toronto Symphony Volunteer Committee as both organizations are independent legal entities. Both organizations, at their discretion, provide funds to the Symphony each year.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized as follows:

#### Revenue recognition

The Symphony follows the deferral method of accounting for contributions, which include grants and donations. Grants, bequests and unrestricted contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Revenue from subscription and other ticket sales, concerts and special events is recognized in the accounts at the date of the performance. Other revenues are recognized at the date on which services are provided or goods delivered.

#### Financial Instruments

Financial instruments, including accounts receivable, bank indebtedness and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

# The Toronto Symphony

## Notes to financial statements

Year ended June 30

### Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

#### Tangible

Computer equipment	3–5 years
Furniture and equipment	3–10 years
Musical instruments	10 years
Leasehold improvements	Over the term of the lease

#### Intangible

Computer software	3–8 years
-------------------	-----------

Donations of items included in the historical musical instruments are recorded as a direct increase in capital assets and a direct decrease in the net deficiency at an appraised value established by an independent appraisal in the year received by the Symphony. These instruments are considered to have a permanent value and are not amortized but are assessed annually for any indicators of impairment.

### Employee and musician benefit plans

For multi-employer defined benefit pension plans and defined contribution plans in which the Symphony's employees and musicians participate, contributions are expensed as due. Multi-employer defined benefit pension plans are accounted for consistent with defined contribution pension plans since these plans do not provide sufficient information for the Symphony to apply defined benefit plan accounting.

### Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at year-end. Exchange gains and losses are included in the statement of operations.

### Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

### Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.



## The Toronto Symphony

### Notes to financial statements

Year ended June 30

#### 3. Accounts receivable

As at June 30, 2018, accounts receivable include \$31,000 [2017 – \$56,211] representing the estimated outstanding payments with respect to three [2017 – three] bequests and \$1,061,219 [2017 – \$683,020] with respect to total pledges receivable. These amounts were all collected subsequent to year-end.

#### 4. Capital assets

Capital assets consist of the following:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
<b>Tangible</b>			
Computer equipment	132,860	68,998	63,862
Furniture and equipment	306,703	248,849	57,854
Musical instruments	297,451	163,204	134,247
Historical musical instruments	4,152,000	—	4,152,000
Leasehold improvements	286,881	33,384	253,497
<b>Intangible</b>			
Computer software	765,393	525,443	239,950
	<b>5,941,288</b>	<b>1,039,878</b>	<b>4,901,410</b>

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
<b>Tangible</b>			
Computer equipment	165,403	112,029	53,374
Furniture and equipment	287,096	230,157	56,939
Musical instruments	291,051	138,190	152,861
Historical musical instruments	4,152,000	—	4,152,000
Leasehold improvements	294,989	260,978	34,011
<b>Intangible</b>			
Computer software	754,251	371,301	382,950
	<b>5,944,790</b>	<b>1,112,655</b>	<b>4,832,135</b>

During 2018, the Symphony wrote off fully amortized capital assets of \$349,647 [2017 – \$108,732].

## The Toronto Symphony

### Notes to financial statements

Year ended June 30

#### 5. Bank indebtedness

The Symphony has a banking agreement that provides a demand credit facility of \$9,200,000. This agreement is supported by guarantees from the Foundation in the amount of \$4,200,000 and the City of Toronto [the "City"] to a maximum of \$5,000,000.

The agreement with the City provides that the Symphony must repay, to the City, any amounts paid by the City to the bank.

Interest is incurred at a rate of prime plus 0.5% [2018 – 3.45%]. Interest recorded in the statement of operations on the line of credit totalled \$117,907 [2017 – \$203,476] for the year.

As collateral for the guarantee provided by the Foundation, the Symphony has provided, to the Foundation, a security interest in all of its assets. The Symphony has provided the bank with a second security interest in all of its assets, subordinated only to the Foundation.

#### 6. Government remittances payable

As at June 30, 2018, accounts payable and accrued liabilities include government remittances payable of \$75,823 [2017 – \$168,948].

#### 7. Deferred contributions

Deferred contributions represent the City's operating grant and other contributions attributable to future fiscal periods. The changes in the deferred contributions are as follows:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>2,638,349</b>	1,847,771
Contributions received during the year	7,524,870	9,817,461
Recognized in revenue during the year	<b>(8,408,260)</b>	(9,026,883)
<b>Balance, end of year</b>	<b>1,754,959</b>	2,638,349

# The Toronto Symphony

## Notes to financial statements

Year ended June 30

### 8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The annual amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	64,127	82,449
Less amortization of deferred capital contributions [included in fundraising revenue]	(18,322)	(18,322)
<b>Balance, end of year</b>	<b>45,805</b>	<b>64,127</b>

### 9. Deferred lease inducements

Deferred lease inducements are created when a landlord provides for leasehold improvement allowances and collects lower monthly rental amounts in the early period of a lease term as part of the lease agreement. The Symphony records these allowances as an obligation and amortizes the amount to administration expense on the statement of operations over the term of the leases.

Details of deferred lease inducements are as follows:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	7,049	34,149
Additional lease inducements	425,691	—
Amortization to rent expense	(25,974)	(27,100)
<b>Balance, end of year</b>	<b>406,766</b>	7,049
Less current portion [included in accounts payable and accrued liabilities]	28,388	7,049
<b>Long-term portion</b>	<b>378,378</b>	—

### 10. Subscriptions and other tickets revenue

Subscriptions and other tickets revenue consists of the following:

	2018 \$	2017 \$
Subscriptions	3,580,274	3,502,844
Single tickets	6,246,522	4,968,887
	<b>9,826,796</b>	<b>8,471,731</b>

## The Toronto Symphony

### Notes to financial statements

Year ended June 30

#### 11. Government grants

Government grants revenue consists of the following:

	2018	2017
	\$	\$
Ontario Arts Council	1,864,294	1,864,294
Canada Council	1,830,180	1,830,180
City of Toronto	1,270,000	1,270,000
Canadian Heritage	3,264,914	3,634,607
Other	—	129,467
	<b>8,229,388</b>	<b>8,728,548</b>

#### 12. The Toronto Symphony Foundation

[a] The net assets of the Foundation, as at March 31, are as follows:

	2018	2017
	\$	\$
General fund	2,110,829	1,402,109
Restricted fund	2,081,238	2,139,547
Endowment fund	26,430,835	27,191,952
	<b>30,622,902</b>	<b>30,733,608</b>

The Foundation, at its discretion, provides support to the Symphony as determined by restrictions on the various funds comprising the net assets.

During the year, the Foundation provided the Symphony with a distribution of \$1,840,000 [2017 – \$2,249,000].

As at June 30, 2018, accounts payable and accrued liabilities included \$1,087 [2017 – \$5,250] related to donations whereby a portion was to be transferred to the Foundation.

[b] The Symphony provides administrative and fundraising services to the Foundation at no cost to the Foundation. During the year ended March 31, 2018, the Foundation recorded fundraising revenue from donations and bequests of \$314,967 [2017 – \$41,904] raised in connection with these services that is not reflected in these financial statements.

# The Toronto Symphony

## Notes to financial statements

Year ended June 30

### 13. Musicians' defined benefit pension plan

The defined benefit pension obligations of the Symphony's musicians are the responsibility of the Musicians' Pension Fund of Canada ["MPF"], which is administered by the Musicians' Pension Fund of Canada Board. The most recent valuation for financial reporting purposes completed by the MPF as at December 31, 2017 disclosed net assets available for benefits of \$806.2 million. The Symphony is required to contribute 10% of the musicians' minimum basic fee.

### 14. Commitments

- [a] The Symphony is under contract to pay its musicians for services performed through June 30, 2020. Under the terms of individual contracts with each of its musicians, the Symphony is committed to paying fees to contracted musicians of approximately \$9,566,000 for fiscal 2019 and \$9,865,000 for fiscal 2020.
- [b] The Symphony has entered into various agreements with conductors and guest artists for services to be performed in fiscal 2019 and fiscal 2020, aggregating approximately \$3,295,000 and \$516,000, respectively. Included in this amount is US\$1,215,000 translated to Canadian dollars using an exchange rate of \$1.30.
- [c] Rental payments to Roy Thomson Hall for auditorium usage vary depending upon the number and types of performances. Under the existing agreement, which is on a year-to-year basis, rental payments for auditorium and office space are estimated to be \$1,078,000 for fiscal 2019.
- [d] The Symphony has also entered into lease agreements for office space and equipment requiring future minimum annual lease payments as follows:

	\$
2019	357,129
2020	357,129
2021	305,027
2022	283,790
2023	301,333
Thereafter	1,346,583
	<u>2,950,991</u>

## The Toronto Symphony

### Notes to financial statements

Year ended June 30

#### 15. Financial instruments

The Symphony is exposed to various financial risks through its transactions in financial instruments.

##### **Credit risk**

The Symphony is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Credit risk is not significant to the Symphony since the significant balance relates to bequests and pledges that have been collected subsequent to year-end *[note 3]*.

##### **Interest rate risk**

The Symphony is exposed to interest rate risk with respect to its operating line of credit because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time.

##### **Liquidity risk**

The Symphony is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Symphony has a line of credit available to help in managing this risk *[note 5]*.

#### 16. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 financial statements.