

Financial Statements of

**TORONTO INTERNATIONAL  
FILM FESTIVAL, INC.**

Year ended December 31, 2015



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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, 2015, 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.

### *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, 2015, 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.

Chartered Professional Accountants, Licensed Public Accountants

May 2, 2016  
Toronto, Canada

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Statement of Financial Position

December 31, 2015, with comparative information for 2014


	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 9,131,658	\$ 5,453,088
Accounts receivable	1,330,063	3,333,725
Inventory	195,274	176,486
Prepaid expenses	364,765	359,695
Investments restricted for Building Fund (note 2(a))	1,283,670	3,691,307
	<u>12,305,430</u>	<u>13,014,301</u>
Investments restricted for endowments (note 2(b))	1,791,621	1,818,345
Capital assets (note 3)	109,339,987	113,539,877
	<u>\$ 123,437,038</u>	<u>\$ 128,372,523</u>


## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,372,531	\$ 3,593,155
Deferred revenue	1,723,620	1,851,638
Current portion of long-term debentures (note 4)	3,828,065	3,790,711
	<u>8,924,216</u>	<u>9,235,504</u>
Long-term debentures (note 4)	33,183,564	35,863,977
Fund balances:		
Operating Fund	(3,133,870)	(3,912,216)
Building Fund	82,671,507	85,365,970
Endowment Fund	1,791,621	1,819,288
	<u>81,329,258</u>	<u>83,273,042</u>
Commitments (note 7)		
	<u>\$ 123,437,038</u>	<u>\$ 128,372,523</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, 2015, with comparative information for 2014

	Operating Fund	Building Fund	Endowment Fund	2015 Total	2014 Total
<b>Earned revenue:</b>					
Ticket sales	\$ 13,945,384	\$ –	\$ –	\$ 13,945,384	\$ 13,628,010
Rentals	2,010,490	–	–	2,010,490	1,851,310
Membership	1,482,899	–	–	1,482,899	1,168,809
Retail and concessions	1,170,389	–	–	1,170,389	1,266,295
Service fees and commissions	1,210,954	–	–	1,210,954	1,117,221
Investment (note 2(c))	319,551	11,859	39,852	371,262	606,385
	20,139,667	11,859	39,852	20,191,378	19,638,030
<b>Contributed revenue:</b>					
Sponsorships	13,105,707	1,280,000	–	14,385,707	14,256,113
<b>Grants (note 5):</b>					
Federal	1,242,299	–	–	1,242,299	1,484,543
Provincial	2,266,792	–	–	2,266,792	2,224,700
Municipal	1,055,000	–	–	1,055,000	1,059,500
Other	207,972	–	–	207,972	95,860
	4,772,063	–	–	4,772,063	4,864,603
Philanthropic donations	4,160,855	1,549,932	–	5,710,787	6,299,929
	22,038,625	2,829,932	–	24,868,557	25,420,645
	42,178,292	2,841,791	39,852	45,059,935	45,058,675
<b>Expenses:</b>					
Operational	40,427,732	184	5	40,427,921	38,273,149
Amortization	1,038,751	3,855,742	–	4,894,493	4,824,842
Interest	789	1,680,328	–	1,681,117	1,798,875
Donations transferred to the Ontario Arts Council Foundation (note 6)	–	–	188	188	–
	41,467,272	5,536,254	193	47,003,719	44,896,866
Excess (deficiency) of revenue over expenses	711,020	(2,694,463)	39,659	(1,943,784)	161,809
Fund balances, beginning of year	(3,912,216)	85,365,970	1,819,288	83,273,042	83,111,233
Interfund transfers	67,326	–	(67,326)	–	–
<b>Fund balances, end of year</b>	<b>\$ (3,133,870)</b>	<b>\$ 82,671,507</b>	<b>\$ 1,791,621</b>	<b>\$ 81,329,258</b>	<b>\$ 83,273,042</b>

See accompanying notes to financial statements.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

## Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) revenue over expenses	\$ (1,943,784)	\$ 161,809
Charges to operations not affecting cash:		
Amortization	4,894,493	4,824,842
Unrealized gain on investments restricted for endowments	(9,106)	(98,481)
Interest accrued on debentures	1,147,653	1,229,247
Change in non-cash operating working capital	1,631,161	(678,803)
	<u>5,720,417</u>	<u>5,438,614</u>
Financing:		
Principal repayments on debentures	(2,561,464)	(2,447,871)
Payment of interest accrued on debentures	(1,229,247)	(1,307,241)
	<u>(3,790,711)</u>	<u>(3,755,112)</u>
Investments:		
Additions to capital assets	(694,603)	(1,379,277)
Net change in investments restricted for Building Fund	2,407,637	2,869,410
Net change in investments restricted for endowments	35,830	(90,921)
	<u>1,748,864</u>	<u>1,399,212</u>
Increase in cash	3,678,570	3,082,714
Cash, beginning of year	5,453,088	2,370,374
Cash, end of year	<u>\$ 9,131,658</u>	<u>\$ 5,453,088</u>
Supplemental cash flow information:		
Interest paid on debentures	\$ 1,761,923	\$ 1,875,516

See accompanying notes to financial statements.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements

Year ended December 31, 2015

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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) 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, 2015

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## 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, 2015

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## 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 period, 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, 2015

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## 1. Significant accounting policies (continued):

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

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

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### (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 include cash and cash equivalents.

(b) Investments restricted for endowments comprise mutual fund units, invested primarily in Canadian and foreign equities, which are valued at \$1,785,559 (2014 - \$1,813,033), and cash of \$6,062 (2014 - \$5,312).

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 2. Investments (continued):

(c) Investment revenue:

	2015			2014		
	Operating Fund	Building Fund	Endowment Fund	Operating Fund	Building Fund	Endowment Fund
Interest	\$ 319,551	\$ 844	\$ –	\$ 285,856	\$ 5,347	\$ –
Dividends	–	11,015	30,746	–	37,085	179,616
Change in unrealized gain on investments	–	–	9,106	–	–	98,481
	<u>\$ 319,551</u>	<u>\$ 11,859</u>	<u>\$ 39,852</u>	<u>\$ 285,856</u>	<u>\$ 42,432</u>	<u>\$ 278,097</u>

## 3. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 13,200,000	\$ –	\$ 13,200,000	\$ 13,200,000
Building	100,638,074	13,361,635	87,276,439	89,792,391
Information technology	7,063,960	5,193,243	1,870,717	2,188,807
Audiovisual equipment	9,337,668	4,747,672	4,589,996	5,032,048
Furniture and equipment	4,559,616	2,156,781	2,402,835	2,752,750
Work in progress	–	–	–	573,881
	<u>\$ 134,799,318</u>	<u>\$ 25,459,331</u>	<u>\$ 109,339,987</u>	<u>\$ 113,539,877</u>

## 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 (2014 - nil) has been drawn against this line of credit.

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 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.

The Organization made a principal repayment on the debentures totalling \$2,561,465 (2014 - \$2,447,871). At December 31, 2015, the total amount owing under the construction facility is \$35,863,977 (2014 - \$38,425,441).

The debentures are repayable as follows:

	2015	2014
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	\$ 26,017,700	\$ 27,992,159
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	9,846,277	10,433,282
Accrued interest	1,147,652	1,229,247
	37,011,629	39,654,688
Less current portion	3,828,065	3,790,711
	\$ 33,183,564	\$ 35,863,977

# TORONTO INTERNATIONAL FILM FESTIVAL, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 5. Grants:

Grant contributions in the Operating Fund are as follows:

	2015	2014
Federal:		
Telefilm Canada	\$ 979,710	\$ 932,402
Canada Council	233,471	417,353
Department of Canadian Heritage	3,150	100,000
Employment and Social Development Canada	–	8,860
Federal Economic Development Agency for Southern Ontario	16,904	16,904
Cultural Human Resources Council	5,000	5,500
Consulate General of Canada	4,064	–
Canadian Council of Archives	–	3,524
	<u>1,242,299</u>	<u>1,484,543</u>
Provincial:		
Ontario Media Development Corporation	1,355,357	1,432,500
Ontario Tourism Marketing Partnership	12,874	7,126
Ministry of Tourism, Culture and Sport	479,782	469,636
Ontario Cultural Attractions Fund	128,966	35,625
Ontario Arts Council	289,813	279,813
	<u>2,266,792</u>	<u>2,224,700</u>
Municipal:		
City of Toronto	1,055,000	1,059,500
Other		
	207,972	95,860
	<u>\$ 4,772,063</u>	<u>\$ 4,864,603</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, 2015 is \$6,171,701 (2014 - \$6,020,084).

The capital is held in perpetuity and the income is available to support the ongoing activities of the Organization. Interest earned in 2015 was \$252,977 (2014 - \$246,735) 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, 2015

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## 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:

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2016	\$	302,000
2017		295,000
2018		308,000
2019		309,000
2020		277,000
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	\$	1,491,000

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## 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 \$17,953,896 (2014 - \$13,576,227).