

**TAFELMUSIK**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

Independent Auditor's Report	Page 1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

---

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Tafelmusik

We have audited the accompanying financial statements of Tafelmusik, which comprise the statement of financial position as at June 30, 2018 and the statements of operations, changes in net assets 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.

### Auditor's 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 auditor's 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 auditor considers 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 qualified audit opinion.

### Basis for Qualified Opinion

In common with many similar organizations, Tafelmusik derives revenues from fund-raising events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Tafelmusik. Therefore, we were not able to determine whether, for the years ended June 30, 2018 and June 30, 2017, any adjustments might be necessary to revenues and excess (deficiency) of revenues over expenses recorded in the statements of operations and assets and net assets recorded in the statements of financial position and changes in net assets. This same matter also caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2017.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Tafelmusik 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.



Toronto, Ontario  
September 27, 2018

Chartered Professional Accountants  
Licensed Public Accountants

# TAFELMUSIK

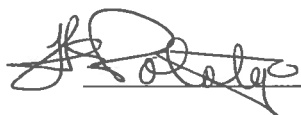
## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	2018	2017
		(note 14)
<b>ASSETS</b>		
Current assets		
Cash	\$ 678,823	\$ 958,628
Short-term investments (notes 2a and 10b)	1,857,706	1,613,289
Sundry receivables	279,960	241,635
Inventory and prepaid expenses	100,634	53,130
	<u>2,917,123</u>	<u>2,866,682</u>
Continuo fund investments (note 2b)	176,333	198,945
Capital assets (note 3)	1,882,547	1,956,236
	<u>4,976,003</u>	<u>5,021,863</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses (note 4)	230,489	198,279
Deferred revenue - subscriptions for concerts	1,100,008	1,076,233
- grants, sponsorships and other	47,000	70,000
Current portion of obligations under capital leases (note 5)	7,955	7,667
	<u>1,385,452</u>	<u>1,352,179</u>
Obligations under capital leases (note 5)	7,785	15,738
Deferred capital contributions (notes 6 and 10b)	2,374,463	2,496,656
	<u>3,767,700</u>	<u>3,864,573</u>
<b>NET ASSETS</b>		
Operating fund	117,626	107,001
Artistic fund	437,244	374,244
Creative Trust Working Capital for the Arts fund	402,100	402,100
Future fund	75,000	75,000
Continuo fund	176,333	198,945
	<u>1,208,303</u>	<u>1,157,290</u>
Endowment funds administered by the Ontario Arts Foundation (note 7)	-	-
	<u>1,208,303</u>	<u>1,157,290</u>
	<u>\$ 4,976,003</u>	<u>\$ 5,021,863</u>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

 , Director

 , Director

**TAFELMUSIK**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED JUNE 30, 2018**

	2018				2017			
	Operating Fund	Artistic Fund	Continuo Fund	Total	Operating Fund	Artistic Fund	Continuo Fund	Total
<b>Revenues</b>								
Concerts - Toronto	\$ 1,869,524	\$ -	\$ -	\$ 1,869,524	\$ 1,665,659	\$ -	\$ -	\$ 1,665,659
Operating and project grants (note 8a)	999,553	-	-	999,553	986,350	-	-	986,350
Touring (note 8b)	838,738	-	-	838,738	866,699	-	-	866,699
Fund-raising	1,173,590	-	3,576	1,177,166	1,213,848	-	26,065	1,239,913
Recording and broadcasting	94,384	-	-	94,384	60,202	-	-	60,202
Investment income (note 9)	277,253	-	-	277,253	268,450	-	-	268,450
Amortization of deferred capital contributions	189,095	-	-	189,095	189,095	-	-	189,095
Other income	98,676	-	-	98,676	108,338	-	-	108,338
	5,540,813	-	3,576	5,544,389	5,358,641	-	26,065	5,384,706
<b>Expenses (note 13)</b>								
Artistic fees - Toronto	1,194,908	-	-	1,194,908	1,014,241	-	-	1,014,241
Concert productions	310,599	-	-	310,599	295,934	-	-	295,934
Hall expenses	755,131	-	-	755,131	713,820	-	-	713,820
Ticket sales	873,356	-	-	873,356	802,842	-	-	802,842
Administrative expenses	824,766	-	-	824,766	881,790	-	-	881,790
Touring	896,195	-	-	896,195	954,924	-	-	954,924
Fund-raising	225,703	-	-	225,703	243,633	-	-	243,633
Education and outreach activities	279,941	-	-	279,941	266,275	-	-	266,275
Recording expenses	106,589	-	-	106,589	288,009	110,000	-	398,009
	5,467,188	-	-	5,467,188	5,461,468	110,000	-	5,571,468
Excess (deficiency) of revenues over expenses before the undernoted	73,625	-	3,576	77,201	(102,827)	(110,000)	26,065	(186,762)
Contribution to the Ontario Arts Foundation (note 7)	(22,612)	-	(3,576)	(26,188)	-	-	-	-
Excess (deficiency) of revenues over expenses for the year	\$ 51,013	\$ -	\$ -	\$ 51,013	\$ (102,827)	\$ (110,000)	\$ 26,065	\$ (186,762)

The accompanying notes are an integral part of these financial statements

## TAFELMUSIK

### STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	Operating Fund	Artistic Fund	Creative Trust Working Capital For the Arts Fund	Future Fund	Continuo Fund	Total
<b>2018</b>						
Balance - at beginning of year	\$ 107,001	\$ 374,244	\$ 402,100	\$ 75,000	\$ 198,945	\$ 1,157,290
Excess of revenues over expenses for the year	51,013	-	-	-	-	51,013
Inter-fund transfers representing						
Contribution to the Ontario Arts Foundation	22,612	-	-	-	(22,612)	-
2018-19 Vivaldi Recording project	(63,000)	63,000	-	-	-	-
<b>Balance - at end of year</b>	<b>117,626</b>	<b>437,244</b>	<b>402,100</b>	<b>75,000</b>	<b>176,333</b>	<b>1,208,303</b>
<b>2017 (note 14)</b>						
Balance - at beginning of year	99,828	484,244	402,100	75,000	172,880	1,234,052
Excess (deficiency) of revenues over expenses for the year	7,173	(110,000)	-	-	26,065	(76,762)
<b>Balance - at end of year</b>	<b>\$ 107,001</b>	<b>\$ 374,244</b>	<b>\$ 402,100</b>	<b>\$ 75,000</b>	<b>\$ 198,945</b>	<b>\$ 1,157,290</b>

The accompanying notes are an integral part of these financial statements

# TAFELMUSIK

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	2018	2017
		(note 14)
Cash flows from operating activities		
Cash received from concerts and tours	\$ 2,560,537	\$ 2,281,097
Cash received from government grants	1,148,053	1,075,725
Cash received from fund-raising and other	1,331,902	1,286,727
Investment income	277,253	268,450
Cash paid to employees, musicians and suppliers	(5,274,951)	(5,159,803)
Contribution to the Ontario Arts Foundation	(26,188)	(15,006)
	16,606	(262,810)
Cash flows from financing activities		
Capital contributions received (note 6)	66,902	34,883
Repayment of capital lease obligations	(7,667)	(7,390)
	59,235	27,493
Cash flows from investing activities		
Proceeds from redemption/disposal of investments	2,119,930	3,460,219
Purchases of investments	(2,341,736)	(3,289,924)
Purchase of capital assets	(133,840)	(23,520)
	(355,646)	146,775
Change in cash during the year	(279,805)	(88,542)
Cash - at beginning of year	958,628	1,047,170
Cash - at end of year	\$ 678,823	\$ 958,628

The accompanying notes are an integral part of these financial statements

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### *NATURE OF OPERATIONS*

Tafelmusik (the "Organization"), Canada's award-winning period instrument orchestra, was founded in 1979 and has long been renowned in North America and internationally for its distinct, exhilarating and soulful performances. The Tafelmusik Chamber Choir, specializing in baroque performance practice and vocal technique, was formed in 1981 to complement the orchestra. Tafelmusik performs 80 concerts each year at Trinity-St. Paul's Centre, Koerner Hall, and Massey Hall, performs community outreach concerts, tours extensively in Canada and throughout the world, and has a discography of CDs that have garnered many national and international awards. The Organization has been associated with major recording companies, including Analekta, Sony BMG and CBC Records, and in 2012, established its own independent recording label, Tafelmusik Media. Its passion for supporting and training the next generation of musicians is manifest in the annual Tafelmusik Baroque Summer and Winter Institute and other music education programmes.

Tafelmusik's vision is to be an international centre of excellence in period performance for generations to come. To sustain this vision, Tafelmusik is now creating artists and audiences for the future through artist training and audience development activities.

Tafelmusik's mission is to engage audiences locally, provincially, nationally and internationally with historically informed live and recorded musical experiences on period instruments. Through its extensive national and international tours, its critically-acclaimed recordings and TV broadcasts, its new media initiatives and growing web of community and artistic partnerships, it is one of the most prolific orchestras in the world.

Tafelmusik is the income beneficiary of four endowments held by the Ontario Arts Foundation, the capital of which is not reflected in these financial statements. Details of the endowment funds are set out in note 7.

Incorporated without share capital under the laws of Ontario, the Organization is a registered charity as defined in the Income Tax Act and, as such, is generally exempt from income taxes.

### *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### *Basis of Presentation*

The financial statements disclose separately the activities of the operating, artistic, continuo funds and other funds maintained by the Organization.

#### *Operating Fund*

The operating fund reflects the day-to-day activities of the Organization.

#### *Artistic Fund*

The Artistic fund is a Board restricted fund and represents amounts that have been set aside for specific artistic projects. The projects may include touring, recording, education and programming initiatives and require approval by the Board of Directors. Such projects are accounted for in the Artistic fund.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

#### *Basis of Presentation (continued)*

##### *Creative Trust Working Capital for the Arts Fund*

Creative Trust Working Capital for the Arts fund is a Board restricted fund providing ongoing working capital as well as funding for future artistic and strategic initiatives. Expenditure of these funds requires approval by the Board of Directors.

##### *Future Fund*

The Future fund is a Board restricted fund providing funds for contingencies that will not be covered by the other funds. Its use requires approval by the Board of Directors.

##### *Continuo Fund*

The Continuo fund is a Board restricted fund and reflects donated funds from which only the investment income is to be used for operating requirements at the discretion of the Board of Directors.

##### *Endowment Fund Administered by Ontario Arts Foundation - Externally Restricted*

Distributions from the externally restricted endowment fund are recognized as investment income in the year received.

Capital appreciation/depreciation for those funds and any investment income earned thereon is recorded in the endowment fund.

#### *Revenue Recognition*

All revenues relating to specific concerts and touring are recognized in the period in which the concert is performed or the event occurs. Amounts received in the current year, applicable to a subsequent year are recorded as deferred revenue on the Statement of Financial Position and will be recognized as revenue in the year to which they pertain.

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are initially deferred and subsequently recognized as revenue in the year in which the related expenses are incurred.

Pledges to donate funds are not recorded in the accounts until the funds have been received.

Investment income represents allocation from Endowment funds (see note 7) and income earned on Organization's funds and is recorded as revenue when earned.

All other sources of revenues are recorded in the accounts when services are performed or goods have been delivered.



# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial Instruments*

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets and liabilities measured at amortized cost include cash, short-term investments, sundry receivables and accounts payable and accrued liabilities.

#### *Short-term Investments*

Short-term investments consist of investments in fixed-income securities with maturities within a year and savings account.

#### *Inventory*

Inventory is recorded at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis and includes the direct cost of the product.

#### *Capital Assets*

Equipment and leasehold improvements are recorded at cost and are depreciated over their estimated useful lives using the following annual rates and methods:

Office furniture and equipment	-	20% straight line
Computer equipment	-	33.3% straight line
Equipment under capital lease	-	40% straight line

Leasehold improvements are amortized over the term of the lease.

Permanent instrument is recorded at cost and not amortized.

The above rates are reviewed annually to assess on-going appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

#### *Deferred Capital Contributions*

Externally restricted contributions for the purchase of capital assets that will be depreciated are deferred and amortized over the life of the related capital assets. Externally restricted contributions for the purchase of capital assets that will not be depreciated are recognized as direct increase to net assets. Externally restricted capital contributions that have not been expended are recorded as part of deferred capital contributions on the statement of financial position.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Foreign Currency Translation*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the date of the Statement of Financial Position. Revenues and expenses are translated from foreign currencies at the rate of exchange prevailing on the transaction date. Any resulting realized and unrealized gains or losses are included in income for the year. The Organization does not use derivative instruments to mitigate foreign exchange risk.

#### *Allocation of Expenses*

Expenses are allocated directly to programs wherever possible, including direct human resources costs. Administration salaries and benefits are allocated to the various programs based on time spent by staff members on activities related to those programs (see note 13 for more details).

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, include useful lives for depreciation and amortization of property and equipment and valuation of other assets and liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 2. INVESTMENTS

#### a) Short-term investments

Details of short-term investments are as follows:

2018	Face Value	Amortized Cost
CIBC GIC, 0.45%, due September 13, 2018	\$ 28,600	\$ 28,603
B2B Bank GIC, 1.460%, due August 16, 2018	50,000	50,634
Equitable Bank GIC, 1.50%, due August 16, 2018	75,000	75,977
Home Trust Company GIC, 1.90%, due August 16, 2018	70,000	71,155
Laurentian Bank GIC, 1.460%, due August 16, 2018	100,000	101,268
LBC Trust GIC, 1.460%, due August 16, 2018	100,000	101,268
Vancity Credit Union GIC, 1.40%, due August 16, 2018	100,000	101,216
CDN Western Trust GIC, 1.70%, due October 26, 2018	100,000	101,146
General Bank of CDA GIC, 1.710%, due December 14, 2018	100,000	100,923
Peoples Trust GIC, 2.20%, due February 26, 2019	100,000	100,741
Royal Bank of Canada GIC, 1.90%, due May 9, 2019	50,000	50,133
B2B Bank GIC, 2.250%, due May 9, 2019	50,000	50,157
HSBC Bank Canada GIC, 2.050%, due May 9, 2019	100,000	100,286
ICICI Bank Canada GIC, 2.350%, due May 9, 2019	100,000	100,328
Versabank GIC, 2.060%, due May 9, 2019	100,000	100,288
SBI Canada Bank GIC, 2.00%, due May 9, 2019	100,000	100,279
CDN Western Bank GIC, 2.150%, due May 23, 2019	100,000	100,218
RBC Investment Savings Account	423,086	423,086
		\$ 1,857,706
2017		
CIBC GIC, 0.50%, due September 13, 2017	\$ 28,600	\$ 28,603
Bank of Montreal GIC, 2.50%, due October 25, 2017	100,000	109,519
Home Trust Company GIC, 2.10%, due November 6, 2017	30,000	30,409
Bank of Montreal GIC, 2.42%, due November 14, 2017	22,582	24,630
Pacific & Western GIC, 2.16%, due December 14, 2017	15,318	15,497
Equitable Trust GIC, 2.40%, due December 19, 2017	25,000	25,317
National Bank of Canada GIC, 2.50%, due December 20, 2017	21,948	24,545
B2B Bank GIC, 2.05%, due January 15, 2018	50,000	50,472
ICICI Bank GIC, 2.03%, due February 26, 2018	60,000	60,417
CDN Western Bank GIC, 1.60%, due May 19, 2018	100,000	100,184
RBC Investment Savings Account	1,143,696	1,143,696
		\$ 1,613,289

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 2. INVESTMENTS (continued)

#### b) Continuo fund investments

The Continuo fund is an internally restricted fund set up to provide long term financial stability for the Organization and the governance of which is the sole responsibility of the Board of Directors.

Details of the investments under the Continuo fund are as follows:

	2018	2017
Cash (due to operating fund)	(2,611)	22,945
Home Trust Company GIC, 1.90%, due August 16, 2018	101,650	-
Equitable Bank GIC, 1.630%, due October 3, 2018	51,739	-
ICICI Bank GIC, 2.60%, due July 10, 2017	-	35,885
Pacific & Western Bank GIC, 2.25%, due September 24, 2017	-	50,860
RBC Investment Savings account	25,555	89,255
	<b>176,333</b>	<b>198,945</b>

#### Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Organization's activities and operations. Short-term investments are primarily exposed to interest rate and credit risks. The Organization has formal policies and procedures for investment transactions and has retained an external investment advisor to manage the portfolio.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The Organization is exposed to interest rate risk directly on its fixed rate marketable securities and indirectly on its investments in savings account.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk on short-term investments. The Organization has maintained short-term investments with reputable financial institutions and set the limits for individual investments within the insured amounts of the financial institutions, from which management believes the risk of loss to be remote.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 3. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
<b>2018</b>			
Equipment			
Office furniture and equipment	\$ 127,147	\$ 111,117	\$ 16,030
Computers	164,314	153,427	10,887
Instrument - permanent	28,590	-	28,590
Subtotal	320,051	264,544	55,507
Leasehold improvements			
Administrative offices	476,808	476,808	-
Tafelmusik/Trinity - St. Paul's Sanctuary	2,579,993	752,953	1,827,040
Subtotal	3,056,801	1,229,761	1,827,040
<b>Total</b>	<b>\$ 3,376,852</b>	<b>\$ 1,494,305</b>	<b>\$ 1,882,547</b>
<b>2017</b>			
Equipment			
Office furniture and equipment	\$ 127,147	\$ 103,257	\$ 23,890
Computers	155,667	142,853	12,814
Instrument - permanent	28,590	-	28,590
Subtotal	311,404	246,110	65,294
Leasehold improvements			
Administrative offices	476,808	476,808	-
Tafelmusik/Trinity - St. Paul's Sanctuary	2,454,800	563,858	1,890,942
Subtotal	2,931,608	1,040,666	1,890,942
<b>Total</b>	<b>\$ 3,243,012</b>	<b>\$ 1,286,776</b>	<b>\$ 1,956,236</b>

Administrative expenses in the statement of operations include depreciation on equipment and amortization of leasehold improvements of \$207,530 (\$212,945 - 2017).

Tafelmusik is in the process of renovating its leased premises. Details of the Trinity - St. Paul's Centre Venue Revitalization Project are disclosed in note 10b.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$10,000 at June 30, 2018 (\$54,000 - 2017).

### 5. OBLIGATIONS UNDER CAPITAL LEASES

Annual lease payments under capital leases are as follows:

		2018	2017
Year ending June 30,	2018	\$ -	\$ 8,427
	2019	8,427	8,427
	2020	8,427	8,427
		16,854	25,281
Less amount representing future interest at 3.70%		(1,114)	(1,876)
Balance of obligation		15,740	23,405
Current portion		(7,955)	(7,667)
Long term portion		\$ 7,785	\$ 15,738

Included in administrative expenses in the statement of operations is interest expense of \$760 (\$1,038 - 2017) with respect to these obligations.

### 6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represents contributions received that have not been expended and the unamortized amount of contributions received. The changes in deferred capital contributions are as follows:

	2018	2017
Balance - at beginning of year	\$ 2,496,656	\$ 2,650,868
Capital contributions received in the year		
Capital campaign donations	66,902	34,883
	2,563,558	2,685,751
Less: amortization for the year	189,095	189,095
Balance - at end of year	\$ 2,374,463	\$ 2,496,656

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 7. ENDOWMENT FUNDS

Tafelmusik has endowment funds administered by the Ontario Arts Foundation, and is the income beneficiary of (i) the Tafelmusik Baroque Orchestra Arts Endowment Fund established by the Ontario Arts Foundation; (ii) Canada Cultural Investment Fund administered by the Ontario Arts Foundation, (iii) Horst Dantz and Don Quick Endowed Fund administered by the Ontario Arts Foundation and (iv) the Tafelmusik Baroque Orchestra Jeanne Lamon Young Artist Fund administered by the Ontario Arts Foundation.

- (i) The Tafelmusik Baroque Orchestra Arts Endowment Fund has been established at the Ontario Arts Foundation as a program of the Government of Ontario through the Ministry of Citizenship, Culture and Sport administered by the Ontario Arts Foundation. Under the terms of the program, funds raised and contributed by Tafelmusik were matched from Ontario's Arts Endowment Fund.
- (ii) The Canada Cultural Investment Fund is a program of the Government of Canada through the Department of Canadian Heritage. Under the terms of the program, a conditional grant is provided to the Ontario Arts Foundation for endowment purposes on the basis of funds raised and contributed by Tafelmusik to the Ontario Arts Foundation.
- (iii) The Tafelmusik Baroque Orchestra Horst Dantz and Don Quick Endowed Fund is a trust fund established by Tafelmusik at the Ontario Arts Foundation to support and name a cello chair to be known as Horst Dantz and Don Quick Chair in perpetuity. The capital amount contributed to the Ontario Arts Foundation shall be held in perpetuity and shall not be disbursed. The net income of the Trust Fund shall be disbursed in accordance with the purpose set out above. In the event that the Ontario Arts Foundation ceases to exist for any reason, the Trust Fund shall be transferred to Tafelmusik.
- (iv) The Tafelmusik Baroque Orchestra Jeanne Lamon Young Artist Fund is an endowment fund established by Tafelmusik at the Ontario Arts Foundation to support Tafelmusik's Artist Training initiatives in perpetuity. Each year Tafelmusik receives investment income from the Jeanne Lamon Young Artist Fund to be disbursed in accordance with the purpose set out above.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 7. ENDOWMENT FUNDS (continued)

Details of the Endowment funds administered by the Ontario Arts Foundation are as follows:

	<i>Tafelmusik Baroque Orchestra Arts Endowment Fund</i>	<i>Canada Cultural Investment Fund</i>	<i>Horst Dantz and Don Quick Endowed Fund</i>	<i>Jeanne Lamou Young Artist Fund</i>	<i>Total</i>
<b>2018</b>					
Balance of funds - beginning of year	\$ 1,817,628	\$ 1,854,219	\$ 1,642,312	\$ 138,576	\$ 5,452,735
Contribution from Tafelmusik	2,535	-	-	23,653	26,188
Grant from the Department of Canadian Heritage	-	17,273	-	-	17,273
Change in market value	123,704	126,596	112,737	10,051	373,088
Investment income distributed	(83,618)	(86,522)	(75,629)	(6,191)	(251,960)
<b>Balance of funds - end of year</b>	<b>1,860,249</b>	<b>1,911,566</b>	<b>1,679,420</b>	<b>166,089</b>	<b>5,617,324</b>
<b>2017</b>					
Balance of funds - beginning of year	1,757,794	1,779,847	1,590,010	120,149	5,247,800
Contribution from Tafelmusik	1,380	-	-	13,626	15,006
Grant from the Department of Canadian Heritage	-	13,471	-	-	13,471
Change in market value	139,268	140,913	126,006	10,018	416,205
Investment income distributed	(80,814)	(80,012)	(73,704)	(5,217)	(239,747)
<b>Balance of funds - end of year</b>	<b>\$ 1,817,628</b>	<b>\$ 1,854,219</b>	<b>\$ 1,642,312</b>	<b>\$ 138,576</b>	<b>\$ 5,452,735</b>

### 8. GOVERNMENT GRANTS

(a) Details of operating and project grants are as follows:

	<i>2018</i>	<i>2017</i>
Government of Canada - Canada Council Operating and Project grants	\$ 457,700	\$ 457,700
Government of Ontario - Ontario Arts Council	361,853	348,650
City of Toronto - Toronto Arts Council	180,000	180,000
	<b>999,553</b>	<b>986,350</b>

(b) Details of touring grants included in touring revenue are as follows:

Government of Canada - Canada Council - Canada and International tours	125,000	141,000
Government of Ontario - Ontario Arts Council - Ontario and International tours	46,500	60,000
	<b>\$ 171,500</b>	<b>\$ 201,000</b>

### 9. INVESTMENT INCOME

Investment income consists of income earned on Tafelmusik's own funds of \$25,293 (\$28,703 - 2017) and distributions from the Endowment funds administered by the Ontario Arts Foundation of \$251,960 (\$239,747 - 2017). Details of the Endowment funds are disclosed in note 7.



# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 10. COMMITMENTS

#### (a) *Operating Leases*

The Organization is committed to pay rent based on usage of premises for performance and rehearsal space under a lease term of fifteen years with the initial term expiring on June 30, 2017 and two optional terms, the first commencing July 1, 2017 and ending on June 30, 2022, and the second commencing July 1, 2022 and ending on June 30, 2027. The Organization has exercised the first renewal option. Operating costs paid for performance, rehearsal usage and box office space for the year ended June 30, 2018 amounted to \$87,818 (\$93,182 - 2017).

The Organization is committed to pay annual rent of \$51,988 for administrative, box office and production space under a lease term of fifteen years with the initial term expiring on June 30, 2017 with two optional terms, the first commencing July 1, 2017 and ending on June 30, 2022, and the second commencing July 1, 2022 and ending on June 30, 2027. Mutual agreement is required if the annual rents increase above the greater of the consumer price index for Toronto, 5% or such other amount determined by an arbitrator.

In addition, the Organization is committed to pay its proportionate share of utilities costs, which in the year 2018 totalled \$13,610 (\$17,771 - 2017).

#### (b) *Trinity - St. Paul's Centre Venue Revitalization Project*

Tafelmusik has embarked on a major campaign to renew its leased performance premises at Trinity - St. Paul's Centre in three phases at a total cost of approximately \$3.0 million. Phase One included renovations to acoustics, seating and stage, and was completed in December 2013 at a cost of \$1.3 million. Phase Two included renovations to the lobby, box office, other public spaces, and upgraded stage lighting and safety equipment in the Sanctuary, the majority of which was completed in December 2014 at a cost of \$1.1 million. Phase Three will involve further renovations to Trinity - St. Paul's Centre, at an estimated cost of \$0.5 million.

The project costs have been funded from the contributions from Federal government, City of Toronto, private-sector fundraising, and, as needed, from Tafelmusik's own resources.

At June 30, 2018, Tafelmusik has received \$0.8 million from Federal government under the Canada Culture Space Fund, \$0.1 million from City of Toronto and \$2.4 million from individuals, corporations and foundations, and has incurred renovation costs of \$2.6 million. The unspent funds are held in short-term investments and recorded in the deferred capital contributions. Details of short-term investments and deferred capital contributions are disclosed in notes 2a and 6.

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 11. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

Tafelmusik is exposed to various risks through its financial instruments. The following analysis provides a measure of Tafelmusik's risk exposure at the Statement of Financial Position date.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Tafelmusik's main credit risk relates to cash, short-term investments and sundry receivable. Credit risk with respect to cash held in banks is minimized by maintaining cash in reputable financial institutions with high quality of credit ratings. Credit risk with respect to short-term investments is disclosed in note 2. The Organization is not exposed to significant credit risk on its sundry receivable as majority of the sundry receivable were collected subsequent to the year end.

#### *Liquidity Risk*

Liquidity risk is the risk that Tafelmusik will encounter difficulty in meeting obligations associated with financial liabilities. Tafelmusik is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitments. Tafelmusik expects to meet these obligations as they come due by generating sufficient cash flows from operations, grants from governments and fundraising.

#### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Tafelmusik is not exposed to other price risk. Tafelmusik is exposed to interest rate risk in respect of its investments in interest-bearing financial assets. Details of investments in interest-bearing financial assets are disclosed in notes 2.

#### *Currency Risk*

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. Tafelmusik is exposed to currency risk in respect of its financial assets denominated in foreign currencies. As at June 30, 2018, Tafelmusik has a bank account denominated in United States dollars totaling \$53,000. Tafelmusik is not exposed to significant currency risk.

#### *Changes in Risk*

There have been no significant changes in the risk profile of the financial instruments of the Foundation from that of the prior year.

### 12. LINE OF CREDIT

The Organization has an operating line of credit to a maximum of \$100,000. Any advances on this line of credit bear interest at bank prime rate plus two percent. This credit facility is secured by a registered charge on accounts receivable, inventory and equipment. There were no advances against this line of credit during the year or at June 30, 2018 (\$NIL - 2017).

# TAFELMUSIK

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

---

### 13. ALLOCATION OF EXPENSES

Administrative salaries allocated to programs are as follows:

	<i>2018</i>	<i>2017</i>
Concert productions	\$ 122,479	\$ 114,510
Ticket sales	283,540	257,679
Touring	37,517	36,100
Fund-raising	172,955	170,427
Recording	13,620	13,025
Education and outreach	35,157	32,625
	<u>\$ 665,268</u>	<u>\$ 624,366</u>

### 14. COMPARATIVE FIGURES

Certain of the comparative figures in the Statements of Financial Position, Changes in Net Assets and Cash Flows have been reclassified to conform with the financial statement presentation adopted for the current year.

