

The Toronto Symphony

Financial statements

June 30, 2020



Independent auditor's report

To the Members of
The Toronto Symphony

Opinion

We have audited the financial statements of **The Toronto Symphony** [the "Symphony"], which comprise the statement of financial position as at June 30, 2020, and the statement of operations, statement of changes in net deficiency and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Symphony as at June 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Symphony in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Symphony's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Symphony or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Symphony's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Symphony's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Symphony's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
August 6, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Toronto Symphony

Statement of financial position

As at June 30

	2020	2019
	\$	\$
Assets <i>[note 5]</i>		
Current		
Cash	825,040	—
Restricted cash <i>[note 7]</i>	225,000	—
Accounts receivable <i>[note 3]</i>	522,139	11,197,457
Prepaid expenses	486,007	277,528
Total current assets	2,058,186	11,474,985
Restricted cash <i>[note 7]</i>	551,125	—
Capital assets, net <i>[note 4]</i>	4,645,424	4,686,170
	7,254,735	16,161,155
Liabilities and net deficiency		
Current		
Bank indebtedness <i>[note 5]</i>	—	4,853,410
Accounts payable and accrued liabilities <i>[notes 6, 9 and 12[a]]</i>	2,033,850	8,910,945
Advanced ticket sales	3,829,221	3,825,312
Deferred contributions <i>[note 7]</i>	3,433,821	800,604
Total current liabilities	9,296,892	18,390,271
Deferred contributions <i>[note 7]</i>	551,125	—
Deferred capital contributions <i>[note 8]</i>	41,191	27,483
Deferred lease inducements <i>[note 9]</i>	321,602	349,990
Advanced ticket sales	326,627	—
Total liabilities	10,537,437	18,767,744
Commitments <i>[note 14]</i>		
Net deficiency	(3,282,702)	(2,606,589)
	7,254,735	16,161,155

See accompanying notes

On behalf of the Board:



Catherine Beck
Board Chair



Rags Davloor
Audit Committee Chair

The Toronto Symphony

Statement of operations

Year ended June 30

	2020	2019
	\$	\$
Revenue		
Fundraising [excluding bequests and funds raised for the Toronto Symphony Foundation], net [notes 7, 8, 12[a] and 12[b]]	7,840,508	7,680,210
Bequests, net [notes 12[a] and 12[b]]	125,538	3,271,890
Subscriptions and other tickets [note 10]	6,702,121	9,970,146
Government grants [note 11]	6,626,768	5,499,164
The Toronto Symphony Foundation [note 12[a]]	1,632,355	1,758,600
Fundraising special events	244,775	567,394
Toronto Symphony Volunteer Committee	110,000	139,028
Other	638,801	862,287
	23,920,866	29,748,719
Expenses		
Production	16,005,080	18,576,378
Marketing	3,440,417	3,328,401
Administration	3,286,320	3,396,749
Fundraising [note 12[b]]	1,689,166	2,030,398
Fundraising special events	138,754	362,481
Interest [note 5]	37,242	123,241
	24,596,979	27,817,648
Excess (deficiency) of revenue over expenses for the year	(676,113)	1,931,071

See accompanying notes

The Toronto Symphony

Statement of changes in net deficiency

Year ended June 30

	2020	2019
	\$	\$
Net deficiency, beginning of year	(2,606,589)	(4,537,660)
Excess (deficiency) of revenue over expenses for the year	(676,113)	1,931,071
Net deficiency, end of year	(3,282,702)	(2,606,589)

See accompanying notes

The Toronto Symphony

Statement of cash flows

Year ended June 30

	2020	2019
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(676,113)	1,931,071
Add (deduct) items not involving cash		
Amortization of capital assets	150,985	231,032
Amortization of deferred capital contributions	(19,964)	(18,322)
Amortization of deferred lease inducements	(28,388)	(28,388)
	<u>(573,480)</u>	2,115,393
Changes in non-cash working capital balances related to operations		
Accounts receivable	10,675,318	(9,721,318)
Prepaid expenses	(208,479)	117,541
Accounts payable and accrued liabilities	(6,877,095)	6,743,478
Advanced ticket sales	330,536	408,049
Deferred contributions	2,633,217	(954,355)
Cash provided by (used in) operating activities	<u>5,980,017</u>	<u>(1,291,212)</u>
Investing activities		
Purchase of capital assets	(110,239)	(15,792)
Increase in restricted cash	(225,000)	—
Cash used in investing activities	<u>(335,239)</u>	<u>(15,792)</u>
Financing activities		
Increase (decrease) in bank indebtedness	(4,853,410)	1,307,004
Contributions received for capital	33,672	—
Cash provided by (used in) financing activities	<u>(4,819,738)</u>	<u>1,307,004</u>
Net increase in cash during the year	825,040	—
Cash, beginning of year	—	—
Cash, end of year	<u>825,040</u>	—

See accompanying notes

The Toronto Symphony

Notes to financial statements

June 30, 2020

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.

Restricted cash

Restricted cash represents unspent donor restricted amounts whereby the donor has requested the amounts be held in a separate bank account.

Financial instruments

Financial instruments, including cash, 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

June 30, 2020

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
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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.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Symphony's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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.

Other revenue

Other revenue comprises ticket charges, earned fees and other miscellaneous income.

The Toronto Symphony

Notes to financial statements

June 30, 2020

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.

New accounting standards

During the year, the Symphony adopted the new accounting standards Section 4433, *Tangible Capital Assets*, and Section 4434, *Intangible Capital Assets* as of July 1, 2019. Section 4433, *Tangible Capital Assets* replaces the previous Section 4431 and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. Section 4434, *Intangible Capital Assets* replaces the previous Section 4432 and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. The changes did not have any impact on these financial statements.

3. Accounts receivable

As at June 30, 2020, accounts receivable includes nil [2019 – \$10,001,000] representing the estimated outstanding payments with respect to nil [2019 – two] bequests and \$153,820 [2019 – \$1,037,933] with respect to total pledges receivable.

4. Capital assets

Capital assets consist of the following:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	147,728	109,896	37,832
Furniture and equipment	360,439	262,910	97,529
Musical instruments	296,137	210,378	85,759
Historical musical instruments	4,152,000	—	4,152,000
Leasehold improvements	325,575	92,599	232,976
Intangible			
Computer software	758,243	718,915	39,328
	6,040,122	1,394,698	4,645,424

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	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	134,065	89,756	44,309
Furniture and equipment	310,993	253,982	57,011
Musical instruments	296,137	186,330	109,807
Historical musical instruments	4,152,000	—	4,152,000
Leasehold improvements	287,981	61,451	226,530
Intangible			
Computer software	758,243	661,730	96,513
	<u>5,939,419</u>	<u>1,253,249</u>	<u>4,686,170</u>

During 2020, the Symphony wrote off capital assets that are no longer in use with a cost of \$12,041 [2019 – \$17,661] and accumulated amortization of \$9,536 [2019 – \$17,661].

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% [2019 – 0.5%]. Interest recorded in the statement of operations on the line of credit totalled \$37,242 [2019 – \$123,241] 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, 2020, accounts payable and accrued liabilities include government remittances payable of \$6,873 [2019 – \$43,697].

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Notes to financial statements

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7. Deferred contributions

Deferred contributions represent government operating grants and other contributions attributable to future fiscal periods. The changes in the deferred contributions are as follows:

	2020 \$	2019 \$
Balance, beginning of year	800,604	1,754,959
Contributions received during the year	8,732,597	5,034,575
Transfer to deferred capital contributions during the year <i>[note 8]</i>	(33,672)	—
Recognized in revenue during the year	(5,514,583)	(5,988,930)
Balance, end of year	3,984,946	800,604
Less amounts classified as long-term	551,125	—
	3,433,821	800,604

Deferred contributions includes \$776,125 of funding received from a donor of which a portion is restricted for certain capital projects and a portion is for operations for fiscal 2021 and fiscal 2022. Amounts spent will be transferred to either deferred capital contributions *[note 8]* or to revenue as incurred based on the nature of the costs. The donor requested the funds be set aside in a separate account and as such, the funds are shown as restricted cash on the statement of financial position.

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 included in fundraising revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2020 \$	2019 \$
Balance, beginning of year	27,483	45,805
Capital contributions transferred from deferred contributions during the year <i>[note 7]</i>	33,672	—
Less amortization of deferred capital contributions	(19,964)	(18,322)
Balance, end of year	41,191	27,483

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Notes to financial statements

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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:

	2020	2019
	\$	\$
Balance, beginning of year	378,378	406,766
Amortization to rent expense	(28,388)	(28,388)
Balance, end of year	349,990	378,378
Less current portion [included in accounts payable and accrued liabilities]	28,388	28,388
Long-term portion	321,602	349,990

10. Subscriptions and other tickets revenue

Subscriptions and other tickets revenue consists of the following:

	2020	2019
	\$	\$
Subscriptions	1,862,153	3,241,979
Single tickets	4,717,979	6,435,145
Other	121,989	293,022
	6,702,121	9,970,146

11. Government grants

Government grants revenue consists of the following:

	2020	2019
	\$	\$
Ontario Arts Council	1,862,909	2,024,901
Canada Council	2,775,000	2,200,000
Toronto Arts Council	1,220,000	1,220,000
Other [note 16]	768,859	54,263
	6,626,768	5,499,164

The Toronto Symphony

Notes to financial statements

June 30, 2020

12. The Toronto Symphony Foundation

[a] The net assets of the Foundation are as follows:

	2020	2019
	\$	\$
	<i>[unaudited]</i>	
General fund	2,456,851	2,348,764
Restricted fund	7,066,657	7,500,983
Endowment fund	31,600,236	30,098,972
	41,123,744	39,948,719

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

During the Symphony's fiscal year, the Foundation provided the Symphony with a distribution of \$1,632,355 [2019 – \$1,758,600].

During 2020, the Symphony was the recipient of a significant donation of \$2,000,000 included in fundraising in the statement of operations, which was transferred to the Foundation to be held for the Symphony's future use and is recorded net in the statement of operations within fundraising.

During 2019, the Symphony was the recipient of a significant donation of \$2,000,000 included in fundraising in the statement of operations and a significant bequest of \$10,000,000 included in bequests in the statement of operations. The \$2,000,000 donation and \$7,000,000 of the bequest were transferred to the Foundation to be held for the Symphony's future use and are recorded net in the statement of operations within fundraising and bequests, respectively. As at June 30, 2019, accounts payable and accrued liabilities included \$7,000,000 related to donations 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 June 30, 2020, the Foundation recorded fundraising revenue from donations and bequests of \$2,085,026 [2019 – \$9,274,115] raised in connection with these services that is not reflected in these financial statements.

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, 2019, disclosed net assets available for benefits of \$869 million. The Symphony is required to contribute 10% of the musicians' minimum basic fee.

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Notes to financial statements

June 30, 2020

14. Commitments

- [a] The contract between the Symphony and its musicians expired June 30, 2020. Subsequent to year-end, the Symphony and its musicians extended the existing contract to July 15, 2021. Under the terms of the extended contract, the Symphony is committed to paying fees to contracted musicians and related pension payments of approximately \$7,695,000 for fiscal 2021.
- [b] The Symphony has entered into various agreements with conductors for services to be performed in fiscal 2021, aggregating approximately \$186,500. Included in this amount is US\$11,000 translated to Canadian dollars using an exchange rate of \$1.33.
- [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 office space are estimated to be \$95,000 for fiscal 2021.
- [d] The Symphony has also entered into lease agreements for office space and equipment requiring future minimum annual lease payments as follows:

	\$
2021	322,143
2022	315,549
2023	333,092
2024	342,509
2025	315,893
Thereafter	725,083
	<u>2,354,269</u>

15. Financial instruments and risk management

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 and an amount from the Foundation [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.

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Notes to financial statements

June 30, 2020

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. COVID-19 pandemic

In March 2020, the World Health Organization declared the spread of the coronavirus ["COVID-19"] to be a global pandemic. Governments in Canada have introduced strict restrictions that included the shutdown of non-essential services, travel restrictions, barring of gathering of people, and requirements to stay home. These restrictions impacted the operations of and resulted in essentially the closure of the Symphony's scheduled events.

Revenues for the Symphony were significantly impacted by this shutdown due to the cancellation or postponement of over a third of the Symphony's planned concerts and the cancellation of its March 2020 fundraising gala. The lower business activity resulted in lower expenses for production. As a non-profit organization, the Symphony qualified for the federal government wage subsidy, which helped offset some labour costs. As at June 30, 2020, \$736,757 in subsidies is included within government grants in the statement of operations *[note 11]*. Management considered the impact of COVID-19 in its assessment of the Symphony's assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had a significant impact on operations, management believes that the Symphony has sufficient liquid resources to manage the business through the next year.