

TAFELMUSIK
FINANCIAL STATEMENTS
JUNE 30, 2023

HILBORN_{LLP}

Independent Auditor's Report

To the Members of Tafelmusik

Qualified Opinion

We have audited the financial statements of Tafelmusik (the "Organization"), which comprise the statement of financial position as at June 30, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2023, 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.

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, as at and for the year ended June 30, 2023, 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. Our opinion on the financial statements for the year ended June 30, 2022 was modified because of the possible effects of this scope limitation.

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 Organization 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 qualified opinion.

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 ability of the Organization 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

Independent Auditor's Report (continued)

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 the 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 internal control of the Organization.
- 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 ability of the Organization 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 Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
October 30, 2023

Chartered Professional Accountants
Licensed Public Accountants

TAFELMUSIK

Statement of Financial Position

June 30	2023 \$	2022 \$
ASSETS		
Current assets		
Cash	1,076,914	1,520,557
Short-term investments (notes 3(a) and 13(b))	1,281,823	1,243,876
Sundry receivables	84,862	88,779
Inventory and prepaid expenses	47,853	74,821
	2,491,452	2,928,033
Non-current assets		
Capital assets (note 4)	1,032,341	1,241,811
	3,523,793	4,169,844
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	99,183	90,602
Deferred revenue - subscriptions for concerts	627,907	470,897
- grants, sponsorships and other (note 6)	-	297,918
Current portion of obligations under capital leases (note 7)	6,026	5,459
	733,116	864,876
Non-current liabilities		
Obligations under capital leases (note 7)	24,254	30,280
Loan payable (note 8)	-	40,000
Deferred capital contributions (notes 9 and 13(b))	1,192,483	1,430,000
	1,216,737	1,500,280
	1,949,853	2,365,156
NET ASSETS		
Operating fund - general	649,190	650,524
Operating fund - invested in capital assets	36,999	35,665
Artistic fund	410,651	641,399
Creative Trust Working Capital for the Arts fund	402,100	402,100
Future fund	75,000	75,000
	1,573,940	1,804,688
Endowment funds administered by the Ontario Arts Foundation (note 10)	-	-
	1,573,940	1,804,688
	3,523,793	4,169,844

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	2023 Operating Fund \$	2022 Operating Fund \$
Revenues		
Concerts - Toronto	789,857	521,079
Operating and project grants (<i>note 11(a)</i>)	1,032,192	1,708,841
Fundraising (<i>note 10</i>)	828,790	1,127,571
Recording and broadcasting	25,410	22,880
Investment income (<i>note 12</i>)	339,367	319,689
Amortization of deferred capital contributions	237,516	234,083
Government subsidies (<i>note 8 and 11(b)</i>)	10,000	207,119
Education	108,070	25,826
Sold services	169,830	99,149
	<u>3,541,032</u>	<u>4,266,237</u>
Expenses (<i>note 15</i>)		
Artistic fees - Toronto	1,307,429	1,257,420
Concert productions	364,735	541,114
Production and technical fees	219,876	181,735
Marketing	571,477	700,112
Administrative expenses (<i>note 7</i>)	780,950	789,087
Touring	22,838	15,245
Fundraising	228,513	209,127
Contribution to Ontario Arts Foundation (<i>note 10</i>)	-	88,155
Education and outreach activities	16,300	59,794
Recording expenses	7,773	51,211
Amortization (<i>note 4</i>)	251,889	249,137
	<u>3,771,780</u>	<u>4,142,137</u>
Excess (deficiency) of revenues over expenses for the year	<u>(230,748)</u>	<u>124,100</u>

The accompanying notes are an integral part of these financial statements

TAFELMUSIK

Statement of Changes in Net Assets

	Year ended June 30					2023				
	Operating Fund - General	Operating Fund - Invested in Capital Assets	Artistic Fund	Creative Trust Working Capital For the Arts Fund	Future Fund	Continuo Fund	Total			
	\$	\$	\$	\$	\$	\$	\$			\$
Balance - at beginning of year	650,524	35,665	641,399	402,100	75,000	-	1,804,688			
Deficiency of revenue over expenses for the year	(230,748)	-	-	-	-	-	(230,748)			
Inter-fund transfers representing										
Depreciation and amortization	251,889	(251,889)	-	-	-	-	-			
Purchase of capital assets	(10,248)	10,248	-	-	-	-	-			
Amortization of deferred capital contributions	(237,516)	237,516	-	-	-	-	-			
Payment of capital lease obligation	(5,459)	5,459	-	-	-	-	-			
Transfer from Artistic Fund (note 1 (a))	230,748	-	(230,748)	-	-	-	-			
Balance - at end of year	649,190	36,999	410,651	402,100	75,000	-	1,573,940			
	Year ended June 30					2022				
	Operating Fund - General	Operating Fund - Invested in Capital Assets	Artistic Fund	Creative Trust Working Capital For the Arts Fund	Future Fund	Continuo Fund	Total			
	\$	\$	\$	\$	\$	\$	\$			\$
Balance - at beginning of year	520,435	43,849	641,399	402,100	75,000	172,805	1,855,588			
Excess of revenue over expenses for the year	124,100	-	-	-	-	-	124,100			
Inter-fund transfers representing										
Depreciation and amortization	249,137	(249,137)	-	-	-	-	-			
Loss on disposal of capital assets	3,297	(3,297)	-	-	-	-	-			
Amortization of deferred capital contributions	(234,083)	234,083	-	-	-	-	-			
Payment of capital lease obligation	(10,167)	10,167	-	-	-	-	-			
Transfer from Operating Fund	(2,195)	-	-	-	-	2,195	-			
Transfer to Ontario Arts Foundation (notes 1(a) and 10)	-	-	-	-	-	(175,000)	(175,000)			
Balance - at end of year	650,524	35,665	641,399	402,100	75,000	-	1,804,688			

The accompanying notes are an integral part of these financial statements

TAFELMUSIK

Statement of Cash Flows

Year ended June 30	2023 \$	2022 \$
Cash flows from operating activities		
Cash received from concerts and tours	1,116,697	986,456
Cash received from government grants	754,274	1,432,910
Cash received from fundraising and other	946,187	1,290,381
Investment income	339,367	319,689
Cash paid to employees, musicians and suppliers	(3,518,675)	(3,885,962)
Contributions to Ontario Arts Foundation (note 10)	-	(263,155)
Government subsidy related to COVID-19	-	207,119
	<u>(362,150)</u>	<u>87,438</u>
Cash flows from financing activities		
Capital contributions received	-	32,169
Repayment of capital lease obligations	(5,459)	(10,167)
COVID-19 Relief loan repayment	(30,000)	-
	<u>(35,459)</u>	<u>22,002</u>
Cash flows from investing activities		
Proceeds from redemption/disposal of investments	1,847,763	1,372,478
Purchases of investments	(1,885,714)	(1,216,057)
Purchase of capital assets	(8,083)	-
	<u>(46,034)</u>	<u>156,421</u>
Change in cash during the year	(443,643)	265,861
Cash - at beginning of year	<u>1,520,557</u>	<u>1,254,696</u>
Cash - at end of year	<u>1,076,914</u>	<u>1,520,557</u>

The accompanying notes are an integral part of these financial statements

TAFELMUSIK

Notes to Financial Statements

June 30, 2023

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. As a complement to its live season, Tafelmusik creates a dynamic array of digital offerings, which includes concerts, talks and short films. Tafelmusik 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 administered 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 10.

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. 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:

(a) Basis of presentation

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

Operating Fund

The operating fund reflects the day-to-day activities of the Organization. The fund balance consists of two components being (1) invested in capital assets for those activities related to the purchases, disposals, amortization and financing of capital assets, and (2) general for those day-to-day activities other than invested in capital assets.

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Notes to Financial Statements (continued)

June 30, 2023

1. Significant accounting policies (continued)

(a) Basis of presentation (continued)

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. During the year, the Board of Directors approved a transfer of funds from the Artistic fund to the Operating fund representing deficiency of revenue over the expenses arising from the Operating fund for the year.

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. In the prior year, the Board of Directors approved to close the Continuo Fund and transferred \$175,000 to the Tafelmusik Baroque Orchestra Arts endowment fund administered by Ontario Arts Foundation.

Endowment Fund Administered by Ontario Arts Foundation

Tafelmusik is a beneficiary of four endowment funds administered by Ontario Arts Foundation. Refer to *note 10* for details.

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

Distributions from the endowment funds are recognized as investment income in the year received.

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Notes to Financial Statements (continued)

June 30, 2023

1. Significant accounting policies (continued)

(b) 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 in 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, or the specified criteria is met, if any.

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

Investment income includes interest income from investments held by the Organization, which is recognized as revenue when earned, and income distribution from the investment income earned by the endowment funds administered by Ontario Arts Foundation, which is recognized as revenue when received.

Government subsidy is recognized as income when there is reasonable assurance that the Organization has complied and will continue to comply with all conditions of the subsidy, and the amounts are received or collection is reasonably assured.

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

(c) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial 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, investments, sundry receivables, accounts payable and accrued liabilities and obligations under capital lease.

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Notes to Financial Statements (continued)

June 30, 2023

1. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Impairment

At the end of each year, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- the amount that could be realized by selling the financial asset at the Statement of Financial Position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

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Notes to Financial Statements (continued)

June 30, 2023

1. **Significant accounting policies (continued)**

(e) **Investments**

Investments consist of investments in fixed-income securities with maturities within a year and savings account held at a bank. Investments are classified as short term.

(f) **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.

(g) **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% straight-line

Leasehold improvements are amortized on a straight line basis over the lesser of their useful life or the lease term being the initial lease term and extensions.

Equipment under capital lease is amortized on a straight line basis over the lesser of estimated useful life and the lease term.

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 2023.

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

1. Significant accounting policies (continued)

(h) Lease

An operating lease is a lease which does not involve the transfer of risks and rewards of ownership related to the leased asset from the lessor to the lessee. A capital lease is a lease which transfers substantially all the risks and rewards of ownership related to the leased asset from the lessor to the lessee.

(i) 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.

(j) 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.

(k) 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 15 for more details).

(l) 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. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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Notes to Financial Statements (continued)

June 30, 2023

2. Financial instrument risk management

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, investments and sundry receivable. Credit risk with respect to cash and investments is minimized by maintaining cash and investments in reputable financial institutions with high quality of credit ratings, 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. The Organization is not exposed to significant credit risk on its sundry receivable.

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 obligations. Tafelmusik expects to meet these obligations as they come due by generating sufficient cash flows from operations, grants from governments, fundraising and proceeds from disposal of investments.

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.

i) 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 Organization's financial instrument holdings. Tafelmusik is exposed to currency risk in respect of its financial assets denominated in foreign currencies. As at June 30, 2023, Tafelmusik has a bank account denominated in United States dollars totaling \$75,000 (\$60,000 - 2022). Tafelmusik is not exposed to significant currency risk.

ii) 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 investments and indirectly on its investments in savings account. Details are disclosed in *note 3*.

Changes in risk

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

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Notes to Financial Statements (continued)

June 30, 2023

3. Investments

(a) Short-term investments

Details of short-term investments are as follows:

2023	Face Value \$	Amortized Cost \$
CIBC GIC, 2.40%, due September 14, 2023	30,315	30,315
B2B Bank GIC, 4.75%, due October 24, 2023	100,000	103,240
Cdn Western Bank GIC, 4.66%, due October 24, 2023	100,000	103,179
Cdn Western Trust GIC, 4.66%, due October 24, 2023	100,000	103,179
Fairstone Bank GIC, 4.70%, due October 24, 2023	100,000	103,206
LBC Trust GIC, 4.75%, due October 24, 2023	100,000	103,240
People Trust GIC, 4.70%, due October 24, 2023	100,000	103,206
Versabank GIC, 4.68%, due October 24, 2023	100,000	103,193
Keb Hana Bank Canada GIC, 5.12%, due November 30, 2023	100,000	102,974
Effort Trust GIC, 4.79%, due May 16, 2024	100,000	100,591
Equitable Bank GIC, 4.80%, due May 16, 2024	100,000	100,592
General Bank of CDA, 4.79%, due May 16, 2024	100,000	100,591
Home Trust Company, 4.81%, due May 16, 2024	100,000	100,593
RBC Investment Savings Account	23,724	23,724
		1,281,823

2022	Face Value \$	Amortized Cost \$
CIBC GIC, 0.40%, due September 14, 2022	29,870	29,870
B2B Bank GIC, 0.65%, due August 30, 2022	100,000	100,541
ICICI Bank Canada GIC, 0.95%, due August 30, 2022	100,000	100,791
LBC Trust GIC, 0.65%, due August 30, 2022	100,000	100,541
Peoples Trust GIC, 0.74%, due August 30, 2022	100,000	100,616
Versabank GIC, 0.76%, due August 30, 2022	100,000	100,633
SBI Canada Bank GIC, 1.29%, due November 25, 2022	100,000	100,767
Equitable Bank GIC, 3.18%, due May 16, 2023	100,000	100,392
General Bank of CDA GIC, 3.17%, due May 16, 2023	100,000	100,391
Home Trust Company GIC, 3.17%, due May 16, 2023	100,000	100,391
Laurentian Bank GIC, 3.17%, due May 16, 2023	100,000	100,391
Sun Life Financial Inc. Common Shares	5,885	5,898
RBC Investment Savings Account	202,654	202,654
		1,243,876

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Notes to Financial Statements (continued)

June 30, 2023

3. Investments (continued)

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. Investments held by the Organization 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.

4. Capital assets

Details of capital assets are as follows:

	2023		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Equipment			
Office furniture and equipment	159,562	99,206	60,356
Computers	44,152	37,083	7,069
Instrument - permanent	28,590	-	28,590
	<u>232,304</u>	<u>136,289</u>	<u>96,015</u>
Leasehold improvements			
Administrative offices	476,808	476,808	-
Tafelmusik/Trinity - St. Paul's Sanctuary	2,859,694	1,923,368	936,326
	<u>3,336,502</u>	<u>2,400,176</u>	<u>936,326</u>
	<u>3,568,806</u>	<u>2,536,465</u>	<u>1,032,341</u>

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Notes to Financial Statements (continued)

June 30, 2023

4. Capital assets (continued)

	2022		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Equipment			
Office furniture and equipment	125,227	87,912	37,315
Computers	36,068	30,571	5,497
Instrument - permanent	28,590	-	28,590
	<u>189,885</u>	<u>118,483</u>	<u>71,402</u>
Leasehold improvements			
Administrative offices	476,808	476,808	-
Tafelmusik/Trinity - St. Paul's Sanctuary	2,859,694	1,689,285	1,170,409
	<u>3,336,502</u>	<u>2,166,093</u>	<u>1,170,409</u>
	<u>3,526,387</u>	<u>2,284,576</u>	<u>1,241,811</u>

Depreciation on equipment and amortization of leasehold improvements of \$251,889 (\$249,137 - 2022) are included in the Statement of Operations.

In the prior year, the Organization wrote off terminated capital lease equipment in a total cost of \$64,257 and accumulated amortization of \$46,991 with remainder lease obligation of \$13,969 which results in net loss on disposal of \$3,297.

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 13(b).

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances totalling \$3,772 at June 30, 2023 (\$2,477 - 2022).

6. Deferred revenue

	Opening Balance 2023	Received during year 2023	Recognized as revenue 2023	Closing balance 2023
	\$	\$	\$	\$
Canada Council for the Arts	-	468,000	468,000	-
Ontario Arts Council	297,918	82,574	380,492	-
Toronto Arts Council	-	180,000	180,000	-
Trillium Foundation	-	3,700	3,700	-
	<u>297,918</u>	<u>734,274</u>	<u>1,032,192</u>	<u>-</u>

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

6. Deferred revenue (continued)

	Opening Balance 2022 \$	Received during year 2022 \$	Recognized as revenue 2022 \$	Closing balance 2022 \$
Canada Council for the Arts	-	561,600	561,600	-
Ontario Arts Council	373,849	648,410	724,341	297,918
Toronto Arts Council	180,000	-	180,000	-
Trillium Foundation	-	242,900	242,900	-
	<u>553,849</u>	<u>1,452,910</u>	<u>1,708,841</u>	<u>297,918</u>

7. Obligations under capital leases

The Organization leases office equipment. The annual lease payments under capital leases are as follows:

	2023 \$	2022 \$
2023	-	8,833
2024	8,833	8,833
2025	8,833	8,833
2026	8,833	8,833
2027	8,833	8,833
2028	2,208	2,208
	<u>37,540</u>	<u>46,373</u>
Less: amount representing future interest at 10%	<u>(7,260)</u>	<u>(10,634)</u>
Balance of obligation	<u>30,280</u>	<u>35,739</u>
Current portion	<u>(6,026)</u>	<u>(5,459)</u>
Long term portion	<u>24,254</u>	<u>30,280</u>

Included in administrative expenses in the Statement of Operations is interest expense of \$3,373 (\$2,600 - 2022) with respect to these obligations.

8. Loans payable

Tafelmusik received a COVID-19 relief loan under the Canadian Emergency Benefit Account program, totalling \$40,000 for the payment of non-deferrable expenses. During the year, Tafelmusik repaid 75% of the loan totalling \$30,000 and recognized the \$10,000 loan forgiveness as grant revenue in the year.

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received and contributions received that have not been expended for the purchase of property and equipment. The changes in deferred capital contributions are as follows:

	2023	2022
	\$	\$
Balance - at beginning of year	1,430,000	1,631,914
Capital contribution received	-	32,169
	1,430,000	1,664,083
Less: amortization for the year	237,517	234,083
Balance - at end of year	1,192,483	1,430,000

Balance of deferred capital contribution consists of unamortized capital contribution of \$965,060 (\$1,170,409 - 2022), unspent funds of \$227,422 (\$227,422 - 2022), and deposit at vendor for purchase of capital assets \$nil (\$32,169 - 2022).

10. Endowment funds

Tafelmusik is the income beneficiary of four endowment funds administered by Ontario Arts Foundation. Details of these endowment funds are as follows:

(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 Lamoung Young Artist Fund has been 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 Lamoung Young Artist Fund to be disbursed in accordance with the purpose set out above.

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

10. 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 Lamon Young Artist Fund</i>	<i>Total</i>
2023					
Balance of funds - beginning of year	1,873,499	1,905,196	1,593,154	164,368	5,536,217
Contribution from Tafelmusik	-	-	-	88,155	88,155
Grant from the Department of Canadian Heritage	-	60,338	-	-	60,338
Change in market value	330,403	338,546	281,189	45,007	995,145
Investment income distributed	(99,723)	(99,515)	(87,170)	(9,097)	(295,505)
Balance of funds - end of year	2,104,179	2,204,565	1,787,173	288,433	6,384,350
2022					
Balance of funds - beginning of year	2,034,433	2,148,778	1,880,951	194,057	6,258,219
Contribution from Tafelmusik	175,000	-	-	-	175,000
Grant from the Department of Canadian Heritage	-	95,354	-	-	95,354
Change in market value	(234,854)	(233,190)	(195,231)	(20,142)	(683,417)
Investment income distributed	(101,080)	(105,746)	(92,566)	(9,547)	(308,939)
Balance of funds - end of year	1,873,499	1,905,196	1,593,154	164,368	5,536,217

In the prior year, the Organization transferred the entire balance of the Continuo Fund to the Tafelmusik Baroque Orchestra Arts Endowment Fund in a total of \$175,000 as approved by the Board of Directors. Ontario Arts Foundation received the funds within the year and reported in the above fund details in 2022. In addition, the Organization received \$88,155 from donors and contributed the entire amount to the Jeanne Lamon Young Artist Fund as designated by the donors. Ontario Arts Foundation collected the cash in the current year and reported in the above fund details in 2023.

11. Government grants

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

	2023 \$	2022 \$
Government of Canada - Canada Council Operating and Project grants	468,000	561,600
Government of Ontario - Ontario Arts Council operating funding	380,492	350,492
Government of Ontario - Ontario Arts Council recovery funding	-	373,849
City of Toronto - Toronto Arts Council	180,000	180,000
Trillium Foundation	3,700	242,900
	1,032,192	1,708,841

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

11. Government grants (continued)

(b) Details of COVID-19 related government subsidies are as follows:

	2023	2022
	\$	\$
Canada Emergency Wage Subsidy	-	36,971
Canada Emergency Rent Subsidy	-	5,987
Tourism and Hospitality Recovery Program - Wage Subsidy	-	150,508
Tourism and Hospitality Recovery Program - Rent Subsidy	-	13,653
Canada Emergency Business Account (CEBA) loan forgiveness	10,000	-
	<u>10,000</u>	<u>207,119</u>

These subsidies are not subject to any specific future terms or conditions; however, the Canada Revenue Agency may require additional reporting in the future period to verify Tafelmusik's eligibility and compliance with terms and conditions.

12. Investment income

Investment income consists of income earned on Tafelmusik's own funds of \$43,862 (\$10,750 - 2022) and distributions from the endowment funds administered by the Ontario Arts Foundation of \$295,505 (\$308,939 - 2022). Details of the Endowment funds are disclosed in note 10.

13. Commitments

(a) Operating Leases

The Organization is committed to pay rent based on usage of premises for performance and rehearsal space under a lease of fifteen years with the initial term of five years ended on June 30, 2017 and two optional terms for extension of five years each. The first renewal option was exercised and expired on June 30, 2022. The second renewal option has been exercised, effective for the period from July 1, 2022 to June 30, 2027. Operating costs paid for performance, rehearsal usage and box office space for the year amounted to \$76,030 (\$41,108 - 2022).

The Organization is committed to pay annual rent of \$51,988 for administrative, box office and production space under a lease of fifteen years with the initial term of five years ended on June 30, 2017 and two optional terms for extension of five years each. The first renewal option was exercised and expired on June 30, 2022. The second renewal option has been exercised, effective for the period from July 1, 2022 to 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 totalled \$8,675 (\$9,554 - 2022).

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

13. Commitments (continued)

(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 involved further renovations to Trinity - St. Paul's Centre, at a 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, 2023, 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 \$2.9 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 3(a) and 9*.

14. 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, 2023 (\$NIL - 2022).

15. Allocation of expenses

Administrative salaries allocated to programs are as follows:

	2023	2022
	\$	\$
Concert productions	164,469	134,414
Marketing	180,206	293,580
Touring	19,200	-
Fundraising	143,463	125,800
Education and outreach	20,628	1,875
	<u>527,966</u>	<u>555,669</u>

TAFELMUSIK

Notes to Financial Statements (continued)

June 30, 2023

16. Impact of Global Pandemic of COVID-19

The global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. The Organization has either cancelled, slowed down or changed the normal course of operations for certain activities, such as canceling concerts and tours, refund of tickets sold, etc. While the government restrictions have been lifted, the Organization has not fully resumed the activities back to the pre-pandemic level.

The Organization applied financial assistance from the government including a COVID-19 relief loan, wage and rent subsidies. Details are disclosed in notes 8 and 11(b) respectively.

17. Comparative figures

Certain prior year comparative figures in the Statement of Operations have been reclassified to conform with the financial statements presentation adopted in the current year.

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