

PRIDE TORONTO
Financial Statements
July 31, 2018

PRIDE TORONTO
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Year Ended July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Pride Toronto

We have audited the accompanying financial statements of Pride Toronto, which comprise the statement of financial position as at July 31, 2018 and the statements of operations and deficit 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 not-for-profit organizations, Pride Toronto derives revenues from donations, fundraising and beverage sales the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Pride Toronto. Therefore, we were not able to determine whether any adjustments might be necessary to revenues from donations, fundraising and beverage sales, deficiency of revenues over expenses, and cash flows from operations for the year ended July 31, 2018, as well as current assets and deficit as at July 31, 2018.

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Independent Auditor's Report to the Directors of Pride Toronto *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pride Toronto as at July 31, 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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which states that as of July 31, 2018, Pride Toronto's liabilities exceed its total assets by \$697,357. The ability of Pride Toronto to operate as a going concern on a long-term basis and to meet its objective of having sufficient liquid resources to meet its current obligations is described in Note 2 to the financial statements.

Toronto, Ontario
November 25, 2018

Hogg, Shain & Scheck PC

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

PRIDE TORONTO
Statement of Financial Position
As at July 31, 2018

	2018	2017
ASSETS		
CURRENT		
Accounts receivable <i>(Note 4)</i>	\$ 238,151	\$ 249,821
Grants receivable	86,542	6,285
Harmonized Sales Tax recoverable	-	64,413
Prepaid expenses	65,872	17,622
	390,565	338,141
CAPITAL ASSETS, net <i>(Note 5)</i>	15,428	33,604
	\$ 405,993	\$ 371,745
LIABILITIES		
CURRENT		
Bank indebtedness <i>(Note 6)</i>	\$ 360,596	\$ 326,352
Accounts payable and accrued liabilities <i>(Note 4)</i>	676,814	464,482
Harmonized Sales Tax payable	65,940	-
Deferred revenues	-	20,000
	1,103,350	810,834
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES <i>(Note 7)</i>	-	19,120
	1,103,350	829,954
DEFICIT		
UNRESTRICTED <i>(Note 2)</i>	(697,357)	(458,209)
	\$ 405,993	\$ 371,745

COMMITMENTS *(Note 10)*

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See the accompanying notes to these financial statements

PRIDE TORONTO
Statement of Operations and Deficit
Year Ended July 31, 2018

	2018	2017
REVENUES		
Sponsorships <i>(Note 8)</i>	\$ 2,923,442	\$ 1,506,804
Grants <i>(Note 9)</i>	725,250	405,385
Permits and fees	263,295	171,546
Beverage sales	203,259	197,336
Donations and fundraising	171,084	106,565
	<u>4,286,330</u>	<u>2,387,636</u>
EXPENSES		
Festival infrastructure	1,124,318	1,003,914
Entertainment and events <i>(Note 8)</i>	1,054,019	1,107,589
Media and promotion <i>(Note 8)</i>	948,281	405,174
Salaries and benefits	549,050	343,833
Office and administration <i>(Note 4)</i>	304,876	148,922
Contractors	114,759	176,111
Beverage cost of sales	94,433	118,510
Volunteer costs <i>(Note 8)</i>	94,621	80,604
Occupancy <i>(Note 10)</i>	92,510	93,179
Community outreach and fundraising	60,506	60,742
Professional fees	67,069	118,043
Amortization of capital assets	21,036	37,348
	<u>4,525,478</u>	<u>3,693,969</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(239,148)	(1,306,333)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(458,209)	848,124
DEFICIT - END OF YEAR	\$ (697,357)	\$ (458,209)

See the accompanying notes to these financial statements

PRIDE TORONTO
Statement of Cash Flows
Year Ended July 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (239,148)	\$ (1,306,333)
Items not affecting cash:		
Amortization of capital assets	21,036	37,348
Amortization of deferred contributions for capital asset purchases	(19,120)	(19,120)
	<u>(237,232)</u>	<u>(1,288,105)</u>
Changes in non-cash working capital:		
Accounts receivable	11,670	493,189
Grants receivable	(80,257)	39,093
Prepaid expenses	(48,250)	29,003
Accounts payable and accrued liabilities	212,332	(115,675)
Harmonized Sales Tax payable (recoverable)	130,353	(95,553)
Deferred revenues	(20,000)	(20,000)
	<u>205,848</u>	<u>330,057</u>
Cash used by operating activities	<u>(31,384)</u>	<u>(958,048)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(2,860)</u>	<u>(17,311)</u>
DECREASE IN CASH	(34,244)	(975,359)
CASH (BANK INDEBTEDNESS) - BEGINNING OF YEAR	(326,352)	649,007
BANK INDEBTEDNESS - END OF YEAR	\$ (360,596)	\$ (326,352)

See the accompanying notes to these financial statements

PRIDE TORONTO
Notes to Financial Statements
Year Ended July 31, 2018

1. ORGANIZATION AND OPERATIONS

Pride Toronto ("PRIDE") is a not-for-profit organization incorporated without share capital on March 19, 1999 under the laws of Ontario to bring people together to celebrate the history, courage and diversity of its community.

As a not-for-profit organization, PRIDE is exempt from income taxes under the Income Tax Act (Canada).

2. GOING CONCERN

These financial statements have been prepared in accordance with accounting standards that apply to a going concern. This presumes that PRIDE will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

PRIDE incurred an operating deficit of \$239,148 in fiscal 2018 and has an accumulated deficit of \$697,357 at July 31, 2018. PRIDE has financed the accumulated deficit using its line of credit (*Note 6*) and working capital management.

The ability of PRIDE to operate as a going concern on a long-term basis and to meet its objective of having sufficient liquid resources to meet its current obligations is dependent on generating future operating revenues in excess of its operating expenses, and to maintaining and securing other sources of funds and credit facilities and arrangements. Currently, PRIDE's management plans to implement the following in fiscal 2019:

- Obtaining new grants (for example, as at the reporting date, PRIDE has been approved for a multi-year federal grant of \$250,000 per year from 2019 to 2024) and increasing funding on existing grants and private sponsorships to reduce its existing liabilities;
 - Cutting operating costs by reducing the number of stages from 14 to 3 and increasing event revenue by bringing the number of events from 4 to 10;
 - Entering into multi-year agreements with suppliers to reduce per year costs and negotiating favourable payment terms; and
 - Implementing controls over the timing of payments on existing and future contracts to facilitate cash flow management.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

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PRIDE TORONTO
Notes to Financial Statements
Year Ended July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

PRIDE follows the deferral method of accounting for revenues. Unrestricted contributions from grants, donations and fundraising are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Contributions received for the purchase of capital assets are initially deferred and then amortized as revenues on the same basis as the related capital assets are amortized.

Sponsorship revenues for a fiscal year event are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenues from beverage sales and permits and fees are recognized when goods have been delivered or services have been rendered.

Sponsorships in kind

Sponsorship contributions of materials and services which would normally be purchased by PRIDE and for which a fair value can be reasonably determined are recorded in the financial statements and classified as sponsorships revenues and the corresponding expenses in the statement of operations and deficit.

Financial instruments

PRIDE initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include accounts receivable. The financial liabilities subsequently measured at amortized cost include bank indebtedness and accounts payable.

Capital assets

Capital assets are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives of 5 years.

Contributed services

Volunteers contribute many hours annually to assist PRIDE in carrying out its activities. Contributed services are not recognized in the financial statements.

Measurement uncertainty

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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known.

PRIDE TORONTO
Notes to Financial Statements
Year Ended July 31, 2018

4. FINANCIAL INSTRUMENTS

Bank indebtedness consists of a revolving line of credit with a major Canadian bank (*Note 6*).

Included in accounts payable and accrued liabilities are government remittances payable of \$36,789 (2017 - \$30,135).

PRIDE is exposed to various risks through its financial instruments:

Credit risk on amounts receivable is mitigated by close monitoring of outstanding balances and assessment of estimated realizable value and recording of provisions for doubtful accounts. Bad debts expense of \$15,692 (2017 - \$7,239) is classified in office and administration expenses.

PRIDE is exposed to liquidity risk in respect to its ability to have sufficient funding to meet its current obligations. Liquidity risk is managed by monitoring its operating requirements, preparing budget and cash forecasts and obtaining access to credit facilities to ensure it has sufficient funds to fulfill its obligations. Management plans to seek additional funding and negotiate vendor payment terms to assist with managing cash flows in the near term.

PRIDE is exposed to interest risk on the variable interest rate charged by its line of credit. Interest risk is mitigated by management's plan to reduce the utilization of its line of credit by improving cash flow management and cutting down costs in the near future.

It is management's opinion that PRIDE is not exposed to significant currency risk.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Leasehold improvements	\$ 2,567	\$ 1,027	\$ 1,540	\$ 2,053
Equipment	83,789	81,524	2,265	19,023
Furniture and fixtures	879	352	527	703
Computer equipment	29,859	18,763	11,096	11,825
	\$ 117,094	\$ 101,666	\$ 15,428	\$ 33,604

Capital assets cost includes \$95,600 (2017 - \$95,600) in computers and equipment purchases funded by a capital asset grant from Ontario Trillium Foundation (*Note 7*).

6. BANK INDEBTEDNESS

PRIDE has available a demand revolving line of credit with a major Canadian bank in the amount of \$300,000 (2017 - \$300,000) bearing interest at the bank's prime rate of 3.70% (2017 - \$2.95%) plus 2.50%. Borrowing from this credit facility is secured by a general security agreement involving a first charge on all of the assets and undertakings of PRIDE.

Bank indebtedness at June 30, 2018 includes outstanding cheques.

PRIDE TORONTO
Notes to Financial Statements
Year Ended July 31, 2018

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

Changes in deferred contributions for capital asset purchases are as follows:

	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 19,120	\$ 38,240
Recognized in grants revenues in the year (Note 9)	<u>(19,120)</u>	<u>(19,120)</u>
Balance - end of year	<u>\$ -</u>	<u>\$ 19,120</u>

8. SPONSORSHIPS IN KIND

In kind sponsorships of materials and services are recorded in the accounts at the fair value of the materials and services supplied by vendors. Sponsorship revenues include in kind contributions of goods and services totaling \$1,442,508 (2017 - \$266,900), with the corresponding expense amounts classified as follows:

	<u>2018</u>	<u>2017</u>
Media and promotion	\$ 808,896	\$ 185,800
Festival infrastructure	289,266	-
Entertainment and events	220,418	53,200
Beverages	53,006	-
Volunteer costs	43,380	27,900
Insurance	<u>27,542</u>	<u>-</u>
	<u>\$ 1,442,508</u>	<u>\$ 266,900</u>

9. GRANTS REVENUES

	<u>2018</u>	<u>2017</u>
Government of Canada:		
Department of Canadian Heritage	\$ 197,380	\$ 126,265
Province of Ontario:		
Ministry of Tourism, Culture and Sport:		
Celebrate Ontario grant	248,750	-
Ontario Trillium Foundation:		
Amortization of capital assets grant (Note 7)	19,120	19,120
City of Toronto:		
Economic Development Major Cultural Organization	<u>260,000</u>	<u>260,000</u>
	<u>\$ 725,250</u>	<u>\$ 405,385</u>

PRIDE TORONTO
Notes to Financial Statements
Year Ended July 31, 2018

10. COMMITMENTS

Office premises

Under an operating lease agreement for office premises until March 31, 2020, PRIDE has minimum annual lease payments of approximately \$79,000 per year, plus applicable taxes.

Other commitments

In 2018, PRIDE entered into long term service contract commitments at fair market value with certain parties who provided in kind services for the 2018 PRIDE festival and events. In the event that PRIDE does not fulfill these commitments, PRIDE would be required to compensate those parties for the value of such in kind services provided in 2018, in the amount of \$295,569. The future minimum payments under these contract commitments are as follows:

2019	\$	629,492
2020		169,375
2021		173,990
2022		97,075
2023		100,155
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	\$	<u>1,170,087</u>
