
INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Financial Statements

Year Ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Inside Out Lesbian and Gay Film Festival Inc.

Qualified Opinion

We have audited the financial statements of Inside Out Lesbian and Gay Film Festival Inc. (the organization), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, 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 December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations, fundraising and special events, 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 the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

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 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 audit 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 ASNPO, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

(continues)

An independently owned member
RSM Canada Alliance



Independent Auditor's Report To the Members of Inside Out Lesbian and Gay Film Festival Inc. *(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 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 organization'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 organization'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 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.

NVS Professional Corporation

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

Markham, Ontario
May 10, 2023

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Statement of Financial Position

December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 614,168	\$ 687,567
Ontario Arts Foundation Agency Funds <i>(Note 9)</i>	702,821	702,821
Accounts receivable	43,098	78,894
Grants receivable	84,254	43,750
Harmonized sales tax recoverable	21,660	20,997
Prepaid expenses	15,549	20,425
	1,481,550	1,554,454
CAPITAL ASSETS <i>(Note 3)</i>	33,417	13,462
	\$ 1,514,967	\$ 1,567,916
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 5)</i>	\$ 54,095	\$ 59,869
Deferred revenue <i>(Note 6)</i>	277,100	252,440
	331,195	312,309
NET ASSETS		
Operating Fund	480,951	552,786
Ontario Arts Foundation Agency Funds <i>(Note 9)</i>	702,821	702,821
	1,183,772	1,255,607
	\$ 1,514,967	\$ 1,567,916

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See accompanying notes to financial statements

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.**Statement of Revenues and Expenditures****Year Ended December 31, 2022**

	2022	2021
REVENUES		
Grants <i>(Note 10)</i>	\$ 557,074	\$ 549,125
Sponsorships	436,731	296,778
Donations - Individual	181,115	121,481
Donations - Corporate	20,000	37,526
Subsidies <i>(Note 11)</i>	118,703	336,348
Box office	97,299	62,894
In-kind services <i>(Note 12)</i>	70,000	80,541
Endowment Fund Interest <i>(Note 8)</i>	66,630	60,336
Memberships	24,391	17,982
Other income	18,089	23,942
Foundations	17,614	34,095
Special events	5,844	3,071
	1,613,490	1,624,119
EXPENSES		
Programming (Schedule 1)	1,194,956	984,231
General and administrative (Schedule 1)	490,369	538,604
	1,685,325	1,522,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (71,835)	\$ 101,284

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Statement of Changes in Net Assets

Year Ended December 31, 2022

		Operating Fund	Ontario Arts Foundation Agency Fund (Note 9)	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$	552,786	\$ 702,821	\$ 1,255,607	\$ 1,154,323
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		(71,835)	-	(71,835)	101,284
NET ASSETS - END OF YEAR	\$	480,951	\$ 702,821	\$ 1,183,772	\$ 1,255,607

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (71,835)	\$ 101,284
Item not affecting cash:		
Amortization of capital assets	7,213	4,161
	(64,622)	105,445
Changes in non-cash working capital:		
Accounts receivable	35,796	4,436
Grants receivable	(40,504)	113,358
Accounts payable and accrued liabilities	(5,773)	33,552
Deferred revenue	24,660	28,985
Prepaid expenses	4,876	22,005
Harmonized sales tax payable	(663)	15,421
	18,392	217,757
Cash flow from (used by) operating activities	(46,230)	323,202
INVESTING ACTIVITY		
Purchase of capital assets	(27,169)	-
FINANCING ACTIVITY		
Current Loans Payable	-	(30,000)
INCREASE (DECREASE) IN CASH FLOW	(73,399)	293,202
Cash - beginning of year	1,390,388	1,097,186
CASH - END OF YEAR	\$ 1,316,989	\$ 1,390,388
CASH CONSISTS OF:		
Cash	\$ 614,168	\$ 687,567
Ontario Arts Foundation Agency Funds	702,821	702,821
	\$ 1,316,989	\$ 1,390,388

See accompanying notes to financial statements

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Schedule of Expenses

(Schedule 1)

Year Ended December 31, 2022

	2022	2021
Programming		
Festival salaries	\$ 325,948	\$ 261,479
Programming salaries	210,063	150,023
Advertising, promotion and entertainment	189,473	136,144
Venue and equipment rentals	136,981	85,413
In-kind services (<i>Note 12</i>)	70,000	80,541
Programming expenses	68,366	33,730
Festival operations	44,560	45,366
Awards	43,237	55,564
Guest services	42,885	476
Artist fees	40,395	32,227
Project - Reel Access	23,048	75,759
Special events	-	9,846
Ottawa expenses	-	17,663
	\$ 1,194,956	\$ 984,231
General and administrative		
Administration salaries	\$ 350,157	\$ 354,149
Rental	39,842	39,227
Professional fees	25,823	16,811
Office and general	24,556	47,259
Telephone, internet and technical support	20,024	12,577
Insurance	10,830	11,448
Bank charges and interest	10,736	11,972
Amortization	7,213	4,161
Distribution costs, postage, and courier	1,188	-
Bad debts	-	41,000
	\$ 490,369	\$ 538,604

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

1. PURPOSE OF THE ORGANIZATION

Inside Out Lesbian and Gay Film Festival Inc. (the "organization") is a not-for-profit organization of Ontario. As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The organization operates to provide advance cultural production by and about lesbian, gay, bisexual and transgender peoples. Inside Out produces a festival that maintains a commitment to audience development and cultural enlightenment.

The organization is a registered charity and the charity number is 87151 5995RR0001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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 amount 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

Inside Out Lesbian and Gay Film Festival Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Magazine, advertising, and ticket sales are recorded when earned.

Donation, sponsorship, and fundraising revenue are recorded when the funds are received.

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures. Government assistance for acquiring fixed assets is recorded as a reduction of the cost of related assets.

(continues)

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The value of donated materials and services are measured and recorded at their fair market value at the time of the donation.

Cash and short term investments

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Goods and services tax

Contributed materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	\$ 88,987	\$ 62,774	\$ 26,213	\$ 4,457
Furniture and fixtures	33,367	26,163	7,204	9,005
	\$ 122,354	\$ 88,937	\$ 33,417	\$ 13,462

4. CREDIT FACILITY

The organization has a credit facility with TD Canada Trust, which includes an approved operating line that can be drawn upon to a maximum of 55,000, which bears interest at prime plus 4.0% and is secured by real property and a General Security Agreement. At the statement of financial position date, the amount owing, which is due on demand, was \$Nil (2021: \$Nil).

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade payables	\$ 5,313	\$ 39,614
Credit cards	34,240	7,936
Accrued payroll liabilities	14,542	12,319
	\$ 54,095	\$ 59,869

6. DEFERRED REVENUE

Deferred Revenue is summarized as follows:

	2022	2021
Telefilm	\$ 205,000	\$ 157,500
Ontario Trillium Foundation	20,100	-
Toronto Arts Council	20,000	20,000
Canadian Heritage	15,000	6,750
Ontario Arts Council	17,000	58,541
Canada Council for the Arts	-	9,649
	\$ 277,100	\$ 252,440

7. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises and storage facilities. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2022, are as follows:

	Rent	Storage
2023	\$ 37,722	\$ 4,817
Thereafter	\$ 37,722	-

8. ENDOWMENT FUNDS

Arts Endowment Fund

Under the terms of the "Deed of Gift" dated July 15, 2001 between Inside Out and its donor, the donor has donated \$200,000 specified as an Endowment Gift. By Agreement, these funds are administered by the Ontario Arts Foundation for a period of not less than ten (10) years. Actual income earned in the fund accrues to Inside Out annually. Inside Out is unable to have access to the Endowment Fund in perpetuity. Additions to the Fund have been \$15,349 in each of the fiscal years 2002 to 2004, inclusive. As at December 31, 2022, the Endowment Fund had a market value of \$355,654 (2021 - \$417,507), and a book value of \$261,617 (2021 - \$261,617). Inside Out earned and received \$19,448 in interest during fiscal 2022.

(continues)

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

8. ENDOWMENT FUNDS (continued)

Canadian Heritage Fund

As at December 31, 2022, the Canadian Heritage Fund had a market value of \$157,485 (2021 - \$184,734), and a book value of \$144,706 (2021 - \$144,706). Inside Out earned and received \$8,481 in interest during fiscal 2022.

9. ONTARIO ARTS FOUNDATION AGENCY FUNDS

	2022		2021	
	Book Value	Fair Value	Book Value	Fair Value
OAF Operating Reserve Fund	\$ 325,000	\$ 347,519	\$ 325,000	\$ 405,077
Strategic Innovation Fund	150,000	163,668	150,000	192,023
James Stewart Fund	227,821	250,013	227,821	293,301
	\$ 702,821	\$ 761,200	\$ 702,821	\$ 890,401

Inside Out earned and received \$16,334 in interest from the OAF Operating Reserve Fund, \$8,858 in interest from the Strategic Innovation Fund, and \$13,509 in interest from the James Stewart Fund.

The purpose of the funds are as follows:

Operating Reserve Fund

The purpose of the Operating Reserve Fund is to help ensure the long-term financial stability of the organization, position it to respond to varying economic conditions and changes affecting the organization's financial position and the ability of the organization to continuously carry out its mission.

Inside Out maintains a Board-Designated Operating Reserve Fund policy to achieve the following objective

- i) To enable the organization to sustain operations through unanticipated losses in funding, delays in committed funding, and accept reimbursable contracts and grants without jeopardizing ongoing operations.
- ii) To promote public and funder confidence in the long-term sustainability of the organization by preventing chronic cash flow crises that could diminish its reputation and force its leaders to make expensive short-term, crisis-based decisions.
- iii) To create an internal line of credit to manage cash flow and maintain financial flexibility.

Strategic Innovation Fund

The purpose of the Fund is to provide a source of strategic, short-term investments in the organization, its programming, and its capacity, to help ensure the organization can continue to stay relevant and responsive to evolving audience, artist, and community needs.

The Fund is designed to make strategic, targeted investments in new organizational projects that align with Inside Out's approved multi-year Strategic Plan. Consideration may be made for capital projects, provided the rationale successfully illustrates potential audience, artist, and/or community impact in line with the Strategic Plan.

James Stewart Fund

The purpose of the Trust Fund is to support the general programs and operations of the Inside Out Lesbian and Gay Film Festival that advance the mission and purpose of the Inside Out Lesbian and Gay Film Festival Inc.

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

10. GRANT REVENUE

Grant revenue is summarized as follows:

	2022	2021
Telefilm Canada	\$ 157,500	\$ 5,000
Canadian Heritage	139,600	16,250
Canada Council for the Arts - Operating	62,904	52,404
Canada Council for the Arts - Projects	59,679	48,641
Ontario Arts Council - Operating	58,541	58,541
Toronto Arts Council - Operating	52,000	52,000
Reconnect Ontario	26,850	132,500
Ontario Arts Council - Recovery	-	62,442
Canada Council for the Arts - Digital Strategy	-	46,262
Ontario Culture Sports Tourism	-	11,510
Toronto Arts Council - Incubator	-	19,325
Canada Council for the Arts - Digital Project	-	11,250
Ontario Creates	-	10,000
City of Toronto	-	23,000
	\$ 557,074	\$ 549,125

11. SUBSIDIES

During the 2022 fiscal year, the Organization applied for and received the Tourism and Hospitality Recovery Program (THRP) – Wage Subsidy and Tourism and Hospitality Recovery Program (THRP) – Rent Subsidy made available by the Federal government in response to COVID-19. The subsidies were made available to eligible employers who experienced a significant decline in revenues as a result of the COVID-19 impact on operations.

During the 2021 fiscal year, the Organization applied for and received the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) made available by the Federal government in response to COVID-19. The CEWS and CERS were made available to eligible employers who experienced a significant decline in revenues as a result of the COVID-19 impact on operations.

The organization has met all the terms and conditions to be eligible for subsidies and recognized the subsidies as revenue in the Statement of Operations.

	2022	2021
Wage Subsidy	\$ 111,408	\$ 318,107
Rent Subsidy	7,295	18,241
	\$ 118,703	\$ 336,348

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

12. IN-KIND SERVICES

The Organization is in receipt of in-kind service and product donations. These services and products are reflected as revenues in the financial statements at their fair value with a corresponding increase in expenses, as follows:

	2022	2021
Advertising, promotion and entertainment	\$ 40,000	\$ 35,000
Industry program	15,500	15,501
Graphic design	8,000	8,000
Hospitality	4,000	2,980
Website	2,500	2,500
Youth program	-	900
Development expenses	-	2,500
Guest expenses	-	8,160
Office expenses	-	5,000
	\$ 70,000	\$ 80,541

13. ESTATE GIFT

In 2015, the Organization was informed that it was named as one of the beneficiaries of an Estate. The Organization is entitled to a 1/35th share of the residual value of the Estate. In addition, the Organization is entitled to a similar proportionate share of any income that the Estate generates on a yearly basis. In 2022, the Organization received \$55,400 from the Estate and has recorded the funds as part of Donations revenue (2021 - \$55,400).

In 2020, the Organization was informed that it was named as one of the beneficiaries of an Estate. The Organization is entitled to a 1/10th share of the residual value of the Estate. In addition, the Organization is entitled to a similar proportionate share of any income that the Estate generates on a yearly basis. In 2022, the Organization received \$111,002 from the Estate and has recorded the funds as part of Donations revenue (2021 - \$Nil).

14. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages this risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash and cash equivalents.

Currency risk

Currency risk is the risk of potential change in price of one currency against another currency.

(continues)

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2022

14. FINANCIAL INSTRUMENTS *(continued)*

The organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit or liquidity risks arising from these financial instruments.

The extent of the Organization's exposure to the above risks did not change during 2022.

15. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE

The Board includes cash, accounts receivable, prepaid expenses, accounts payable, and fund balances in its capital management consideration. The Board's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate.

The Organization monitors these items to assess its ability to fulfill its ongoing financial obligations. The Organization relies primarily on grants and donations to fund its operations and makes adjustments to its budgeted expenditures in light of changes. The Organization is not subject to externally imposed capital requirements.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.