
INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Financial Statements

Year Ended December 31, 2023

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, 2023, 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, 2023, 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 donations, fundraising and special events revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2023, current assets and net assets as at December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2023 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.

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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 17, 2024

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Statement of Financial Position

December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 156,187	\$ 614,168
Ontario Arts Foundation Agency Funds <i>(Note 9)</i>	702,821	702,821
Accounts receivable	22,556	43,098
Grant receivable <i>(Note 3)</i>	56,404	84,254
Harmonized sales tax recoverable	27,102	21,660
Prepaid expenses	18,520	15,549
	983,590	1,481,550
CAPITAL ASSETS <i>(Note 4)</i>	49,040	33,417
	\$ 1,032,630	\$ 1,514,967
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 141,634	\$ 54,095
Deferred revenue <i>(Note 7)</i>	206,392	277,100
	348,026	331,195
NET ASSETS		
Operating Fund	(18,217)	480,951
Ontario Arts Foundation Agency Funds <i>(Note 9)</i>	702,821	702,821
	684,604	1,183,772
	\$ 1,032,630	\$ 1,514,967

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, 2023**

	2023	2022
REVENUES		
Sponsorships	\$ 506,468	\$ 436,731
Grants <i>(Note 11)</i>	401,390	557,074
In-kind services <i>(Note 13)</i>	170,995	70,000
Box office	101,442	97,299
Donations - Individual	65,840	181,115
Donations - Corporate	35,000	20,000
Foundations	26,300	17,614
Special events	26,148	5,844
Other Income	21,339	18,089
Memberships	20,900	24,391
Endowment Fund Interest <i>(Note 8)</i>	18,160	66,630
Subsidies <i>(Note 12)</i>	3,787	118,703
	1,397,768	1,613,490
EXPENDITURES		
Programming (Schedule 1)	1,381,539	1,194,956
General and administrative (Schedule 1)	515,397	490,369
	1,896,936	1,685,325
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (499,168)	\$ (71,835)

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Statement of Changes in Net Assets

Year Ended December 31, 2023

		Operating Fund	Ontario Arts Foundation Agency Fund (Note 9)	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$	480,951	\$ 702,821	\$ 1,183,772	\$ 1,255,607
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		(499,168)	-	(499,168)	(71,835)
NET ASSETS - END OF YEAR	\$	(18,217)	\$ 702,821	\$ 684,604	\$ 1,183,772

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.**Statement of Cash Flows****Year Ended December 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (499,168)	\$ (71,835)
Item not affecting cash:		
Amortization of capital assets <i>(Note 4)</i>	13,704	7,213
	(485,464)	(64,622)
Changes in non-cash working capital:		
Accounts receivable	20,542	35,796
Grant receivable	27,850	(40,504)
Accounts payable and accrued liabilities	87,539	(5,773)
Deferred revenue	(70,708)	24,660
Prepaid expenses	(2,971)	4,876
Harmonized sales tax payable	(5,442)	(663)
	56,810	18,392
Cash flow used by operating activities	(428,654)	(46,230)
INVESTING ACTIVITY		
Purchase of capital assets	(29,327)	(27,169)
DECREASE IN CASH FLOW		
	(457,981)	(73,399)
Cash - beginning of year	1,316,989	1,390,388
CASH - END OF YEAR	\$ 859,008	\$ 1,316,989
CASH CONSISTS OF:		
Cash	\$ 156,187	\$ 614,168
Ontario Arts Foundation Agency Funds	702,821	702,821
	\$ 859,008	\$ 1,316,989

See accompanying notes to financial statements

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.**Schedule of Expenses****(Schedule 1)****Year Ended December 31, 2023**

	2023	2022
Programming		
Festival salaries	\$ 409,324	\$ 325,948
Programming salaries	235,408	210,063
In-kind services <i>(Note 13)</i>	170,995	70,000
Advertising, promotion and marketing	142,336	161,717
Venue and equipment rental	114,414	136,981
Festival operations	81,127	72,316
Awards	56,450	43,237
Industry expenses	55,973	-
Artist fees	43,125	40,395
Guest services	43,043	42,885
Programming expenses	22,448	68,366
Project - Reel Access	6,896	23,048
	\$ 1,381,539	\$ 1,194,956
General and administrative		
Administrative salaries	\$ 335,353	\$ 350,157
Rental	40,560	39,842
Telephone and internet	37,460	20,024
Office and general	33,872	24,556
Professional fees	30,644	25,823
Amortization <i>(Note 4)</i>	13,704	7,213
Insurance	13,282	10,830
Bank and interest charges	10,522	10,736
Shipping and brokerage	-	1,188
	\$ 515,397	\$ 490,369

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

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 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 (ASNPO).

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.

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INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

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.

3. GRANT RECEIVABLE

	2023	2022
Canadian Council of the Arts	\$ 52,404	\$ 52,404
Ontario Media/Ontario Creates	4,000	-
Celebrate Ontario	-	26,850
Telefilm Canada	-	5,000
	\$ 56,404	\$ 84,254

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 118,314	\$ 75,037	\$ 43,277	\$ 26,213
Furniture and fixtures	33,367	27,604	5,763	7,204
	\$ 151,681	\$ 102,641	\$ 49,040	\$ 33,417

The organization recognized amortization of \$13,704 (2022: \$7,213) during the fiscal 2023.

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

5. 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 (2022: \$Nil).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade payables	\$ 99,058	\$ 5,313
Credit cards	15,052	34,240
Accrued payroll liabilities	27,524	14,542
	\$ 141,634	\$ 54,095

7. DEFERRED REVENUE

Deferred Revenue is summarized as follows:

	2023	2022
Telefilm Canada	\$ 127,851	\$ 205,000
Ontario Trillium Foundation	-	20,100
Toronto Arts Council	20,000	20,000
Canadian Heritage	-	15,000
Ontario Arts Council	58,541	17,000
	\$ 206,392	\$ 277,100

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, 2023, the Endowment Fund had a market value of \$395,728 (2022 - \$355,654), and a book value of \$261,217 (2022 - \$261,617). Inside Out earned and received \$18,160 (2022 - \$19,448) in interest during fiscal 2023.

Canadian Heritage Fund

As at December 31, 2022, the Canadian Heritage Fund had a market value of \$184,135 (2022 - \$157,485), and a book value of \$144,706 (2022 - \$144,706). Inside Out earned and received \$Nil (2022 - \$8,481) in interest during fiscal 2023.

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

9. ONTARIO ARTS FOUNDATION AGENCY FUNDS

	2023		2022	
	Book Value	Fair Value	Book Value	Fair Value
OAF Operating Reserve Fund	\$ 325,000	\$ 406,371	\$ 325,000	\$ 347,519
Strategic Innovation Fund	150,000	191,389	150,000	163,668
James Stewart Fund	227,821	292,355	227,821	250,013
	\$ 702,821	\$ 890,115	\$ 702,821	\$ 761,200

Inside Out earned and received \$Nil (2022 - \$16,334) in interest from the OAF Operating Reserve Fund, \$Nil (2022 - \$8,858) in interest from the Strategic Innovation Fund, and \$Nil (2022 - \$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.

10. 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, 2023, are as follows:

	Rent	Storage
2024	\$ 39,546	\$ 3,726

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

11. GRANT REVENUE

Grant revenue is summarized as follows:

	2023	2022
Telefilm Canada	\$ 205,000	\$ 157,500
Ontario Arts Council - Operating	58,541	58,541
Canada Council for the Arts - Operating	52,404	62,904
Toronto Arts Council - Operating	52,000	52,000
Canadian Heritage	31,500	139,600
Ontario Media/Ontario Creates	10,000	-
Reconnect Ontario	(8,055)	26,850
Canada Council for the Arts - Projects	-	59,679
	\$ 401,390	\$ 557,074

12. 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.

The organization met all the terms and conditions to be eligible for subsidies and recognized the subsidies as revenue in the Statement of Revenue and Expenditures in the 2022 fiscal year.

	2023	2022
Property Tax Rebate	\$ 3,787	\$ -
Rent Subsidy	-	7,295
Wage Subsidy	-	111,408
	\$ 3,787	\$ 118,703

13. 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:

	2023	2022
Advertising, promotion and entertainment	\$ 71,280	\$ 40,000
Hospitality	40,600	4,000
Auction item donation	31,415	-
Venue	15,000	-
Industry program	12,700	15,500
Graphic design	-	8,000
Website	-	2,500
	\$ 170,995	\$ 70,000

INSIDE OUT LESBIAN AND GAY FILM FESTIVAL INC.

Notes to Financial Statements

Year Ended December 31, 2023

14. 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 2023, the Organization received \$Nil from the Estate and has recorded the funds as part of Donations revenue (2022 - \$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 2023, the Organization received \$Nil from the Estate and has recorded the funds as part of Donations revenue (2022 - \$111,002).

15. 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, 2023.

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.

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 2023.

16. 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.

17. COMPARATIVE FIGURES

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