



**The Corporation of the City of Stratford
Finance and Labour Relations Sub-committee
Open Session
AGENDA**

Date: Tuesday, May 21, 2019

Time: 3:30 P.M.

Location: Council Chamber, City Hall

Sub-committee Present: Councillor Clifford - Chair Presiding, Councillor Gaffney - Vice Chair, Councillor Beatty, Councillor Bunting, Councillor Ritsma

Staff Present: Michael Humble - Director of Corporate Services, Marilyn Pickering - Supervisor of Tax Revenue, Jodi Akins - Council Clerk Secretary

Pages

1. Call to Order

The Chair to call the meeting to Order.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

.....

3. Delegations

3.1 Presentation by Richard Bruton, National Bank

Richard Bruton, Senior Investment Advisor of National Bank, Bruton Investment Group will present an update on the City's Investment Performance.

Motion by _____

THAT Richard Bruton be heard regarding an update on the City's investment performance.

4. Report of the Director of Corporate Services

4.1 2019 Community Grant Appeals (FIN19-015)

6 - 125

The following have requested to address Sub-committee with respect to their Community Grant appeal:

1. Angela Brayham, Director/Curator of Gallery Stratford
2. Eleanor Kane, Fundraising Committee Volunteer for Music & Opera Appreciation
3. Steve Toman, Chair and Music Director and Roger Howson, Vice-Chair of Stratford Blues & Ribfest
4. Judy Matheson, General Manager of Stratford Summer Music

Motion by _____

THAT Angela Brayham, Eleanor Kane, Steve Toman and Roger Howson and Jud Matheson be heard regarding their respective Community Grant appeals.

Motion by _____

Staff Recommendation: For the consideration of Sub-committee.

4.2 Ontario Regulation 284/09 (FIN19-013)

126 - 129

Motion by _____

Staff Recommendation: THAT the report from the Director of Corporate Services regarding legislative requirements of Ontario Regulation 284/09, and the impact of excluded expenses from the City's 2019 budget, be approved.

5. Report of Festival Hydro Inc.

5.1 Financial Statements and Commentary for Festival Hydro Inc. (FHI) – Q4 2018 and Q1 2019 (FIN19-016) 130 - 185

Ysni Semsedini, Chief Executive Officer and Kelly McCann, Chief Financial Officer, will be present at the meeting.

Motion by _____

Staff Recommendation: THAT the Festival Hydro Inc. 2018 audited financial statements and commentary for the period ending December 31, 2018, be approved by City Council;

That the Festival Hydro Inc. financial statements and commentary for the period ending March 31, 2019, be received for information;

THAT the attached Resolution of the Sole Shareholder of Festival Hydro Inc. be signed by the Mayor and Clerk;

THAT the financial statements of Festival Hydro Inc. as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted;

AND THAT all acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

6. Report of Festival Hydro Services Inc.

6.1 Financial Statements and Commentary for Festival Hydro Services Inc. (FHSI) – Q4 2018 and Q1 2019 (FIN19-017) 186 - 227

Ysni Semsedini, Chief Executive Officer and Kelly McCann, Chief Financial Officer, will be present at the meeting.

Motion by _____

Staff Recommendation: THAT the Festival Hydro Services Inc. 2018 audited financial statements and commentary for the period ending December 31, 2018, be approved by City Council;

THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending March 31, 2019, be received for information;

THAT the attached Resolution of the Sole Shareholder of Festival Hydro Services Inc. be signed by the Mayor and Clerk;

THAT the financial statements of the Corporation as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted;

AND THAT all acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

7. Report of the Supervisor of Tax Revenue

7.1 Tax Relief under Section 357(1)(d.1) - Sickness or Extreme Poverty (FIN19-018)

228 - 230

Motion by _____

Staff Recommendation: THAT the property owner of 50 Galt Road #226, be heard regarding a request for tax relief.

Motion by _____

Staff Recommendation: THAT the Finance and Labour Relations Sub-Committee provide direction on the tax and interest relief request as

presented by the owner of 50 Galt Road Unit 226, Stratford.

8. Report of the Director of Infrastructure and Development Services

8.1 City of Stratford Asset Management Policy (FIN19-014)

231 - 243

Motion by _____

Staff Recommendation: THAT Council approve the City of Stratford Asset Management Policy.

9. Advisory Committee/Outside Board Minutes

There are no Advisory Committee/Outside Board minutes to be provided to Sub-committee at this time.

10. Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is June 18, 2019 at 3:30 p.m. in the Council Chamber, City Hall.

11. Adjournment

Meeting Start Time:

Meeting End Time:

Motion by _____

Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.



MANAGEMENT REPORT

Date: May 21, 2019
To: Finance & Labour Relations Sub-committee
From: Michael Humble, Director of Corporate Services
Report#: FIN19-015
Attachments: 2019 Approved Community Grants Budget
2019 Grant Applications & Appeals:
1 – Gallery Stratford
2 - Music & Opera Appreciation
3 – Stratford Blues & Ribfest
4 – Stratford Summer Music
5 – Feline Friends Network

Title: 2019 Community Grant Appeals

Objective: To consider grant appeals from five community groups.

Background: Council gave final approval for individual 2019 grants on April 8, 2019.

All groups who applied for a 2019 grant were advised of Council's decision, and were given the opportunity to have the decision reconsidered by submitting a formal appeal in writing by April 30th.

Each group was also given the option of appearing as a delegation before Sub-committee if they wished to do so.

Analysis: Appeal requests were received from five grant applicants. The following is a brief summary of each group's original 2019 grant request, Council's decision and the additional funds being requested in the appeal.

Organization	2019 Requested	2019 Approved	Appeal Request	Delegation Request
1. Gallery Stratford	\$60,000	\$51,050	+ \$8,950	Yes
2. Music & Opera Appreciation	\$2,300	\$800	+ \$750	Yes
3. Stratford Blues & Ribfest	\$10,000	\$0	+ \$10,000	Yes
4. Stratford Summer Music	\$25,000	\$20,000	+ \$5,000	Yes
5. Feline Friends Network	\$10,000	\$2,500	+ \$7,500	

The original grant applications for each group are attached, as well as their appeal requests.

The 2019 approved grants budget is also attached for reference.

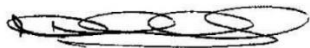
Requests to attend as a delegation were received from Gallery Stratford, Music & Opera Appreciation, Stratford Blues & Ribfest and Stratford Summer Music. These groups will present their appeal requests at the meeting in the order noted above.

Feline Friends Network has not requested a delegation. Their appeal should be considered solely on their written submission.

Financial Impact: Appeal requests total \$32,200. Any funding approved as a result of the five grant appeals would come from the grants contingency budget, which currently has a balance of \$36,460.

The contingency grants budget was set at \$42,460 for 2019. The balance of \$36,460. allows for an approximate grant of \$6,000 for the Razzamajazz. This request was deferred by Council on April 8, pending the development of a reporting system on the use of community grant funds.

Staff Recommendation: For the consideration of Sub-committee.



Michael Humble, Director of Corporate Services



Rob Horne, Chief Administrative Officer

G872 - COMMUNITY SUPPORT & GRANTS - 2019 BUDGET			
		2019 Requested	2019 Approved
	<u>2019 Annual Grants:</u>		
1	Residential Hospice	300,000	250,000
2	Civic Beautification Committee	700	700
3	Community Living Stratford & Area	3,000	3,000
4	Family Services Perth-Huron	9,500	9,500
5	Gallery Stratford	60,000	51,050
6	Hermione Presents - SpringWorks Festival	15,000	9,500
7	InnerChamber	1,000	500
8	Junior Achievement of London & District	2,500	0
9	Kinsmen Club - Canada Day Celebration	9,000	9,000
10	Kiwanis Club - Garlic Festival	1,000	500
11	Kiwanis - Rental Reduction	5,250	5,250
12	Kiwanis Music Festival - Scholarships	1,300	1,000
13	Local Community Food Centre	10,000	7,000
14	Music & Opera Appreciation	2,300	800
15	Off the Wall (Stratford Artists Alliance)	3,500	2,000
16	ONE CARE Home & Community Support	14,304	11,000
17	Optimism Place	7,000	2,000
18	Playmakers! Theatre School	3,000	1,000
19	Royal Canadian Legion - Poppy Trust	350	350
20	Santa's Parade of Lights	2,000	0
21	Stratford & Perth Community Foundation	10,000	5,000
22	Stratford Arts & Culture Collective	4,000	2,000
23	Stratford Concert Band	3,000	2,000
24	Stratford Dog Park Association	2,940	2,000
25	Stratford & District Horticultural Society	9,000	9,000
26	Stratford Lawn Bowling Club	10,000	10,000
27	Stratford Lions Club	12,160	0
28	Stratford Blues & Ribfest	10,000	0
29	Stratford Summer Music	25,000	20,000

G872 - COMMUNITY SUPPORT & GRANTS - 2019 BUDGET			
		2019 Requested	2019 Approved
30	Stratford Symphony Orchestra	15,000	7,000
31	United Way Perth-Huron	31,465	30,000
32	United Way - Social Research & Planning Council	15,000	15,000
33	Winterfest	20,000	18,500
34	Contingency	42,460	42,460
35	Cycle Stratford	1,800	1,000
36	Feline Friends Network	10,000	2,500
37	Multicultural Association of Perth-Huron (Piazza Paradiso)	5,000	0
38	Stratford Senior Games 55+ (SLAAA)	500	500
39	Stratford Cygnets Co-Op Preschool	40,000	0
40	Simple Dreams	500	0
41	Shriners Club	5,100	0
42	Stratford & District Chamber of Commerce	3,650	3,650
43	Brownfield Community Improvement Plan	20,000	20,000
44	Stratford Public Washroom Agreements	6,110	6,110
	Total 2019 Annual Grants	\$ 753,389	\$ 560,870
	<u>2019 Fee Waivers</u>		
45	Minor Sports Ice Subsidy	176,960	176,960
46	Stratford Soccer Association Interest-Free Loans	13,510	13,510
47	Stratford Tourism Alliance Interest-Free Loan	1,700	1,700
48	Heritage Conservation District Interest-Free Loans	3,050	3,050
49	Infrastructure & Development Serv - Community Supports	20,000	20,000
50	Community Services - Community Supports	124,600	124,600
51	Corporate Services - financial services for Golf Course	4,690	4,690
	Total 2019 Fee Waivers	\$ 344,510	\$ 344,510
	Total 2019 (G872) Budget	\$1,097,899	\$ 905,380

GALLERY STRATFORD

2019 Community Grant Decision – Request to Appeal

Gallery Stratford is grateful for the support of the City of Stratford. Thanks to the City of Stratford we have had a permanent home in the 1883 former Pump House building. The Community Grant program provides one of the only sources of unrestricted Operating Funds that are so necessary to our survival.

The City of Stratford website states:

“Stratford is a destination internationally renowned as one of North America's great arts towns.”

“Our beautiful City celebrates a vibrant art and music scene ...”

<https://www.stratfordcanada.ca/en/visitus.asp>

“Stratford is synonymous with the arts: music, drama, dance, the visual arts, literature and the culinary arts. ... Stratford's arts and culture scene is a leading contributor to the growth of the City's creative economy.”

“Our vibrant visual art scene is found in the artist collective of Factory 163, at Gallery Stratford, and during our Art in the Park exhibits.” <https://www.stratfordcanada.ca/en/dobusiness/thearts.asp>

Stratford Tourism Association rebranded itself in June 2017 as Stratford Arts: The Arts are What we Are. With the tag line – *Arts Inspire our Town*.

A vibrant, diverse, flourishing, and sustainable art scene is central to how we identify and define who we are as a community. Gallery Stratford has been a vital player in the development of this Stratford art scene since 1967. Today, we are still the only arts organization in our community that operates year-round. We offer professional, nationally recognized exhibitions alongside art educational programs that are affordable and accessible for learners of all ages and abilities, with specific free or low-cost weekly programs that are targeted towards seniors, adults living with disabilities, and families.

As the only public art gallery in our city and surrounding region, we are proud of what we do and excited about the opportunity to continue to engage both our community and visitors to Stratford with the visual arts. We would like to request a reconsideration of our 2019 grant request. In our 2019 application we requested an increase to \$60,000. We subsequently requested consideration of \$121,000 during the Budget meetings in January. Our 2018 utility and insurance costs related to our City-owned building, represented 57.74% of our \$50,000 2018 Community Grant. Leaving just \$21,130 that could be applied towards other operational or programmatic expenses. Utility expenses are expected to rise again this year and our 2019 insurance saw an increase of \$781 (a 7% increase over 2018) largely due to the increased insurance limits required as part of our building lease renewal.

Art galleries provide a role in our community that is comparable to libraries, museums and recreation centres. Yet, compared to these other cultural and recreational institutions, art galleries are often woefully under-funded. During the 2019 budget process our library requested, as part of their overall increase, a new \$75,000 FTE position to help support their MakerSpace. A MakerSpace that is open to

the public for Open Lab hours only 11.5 hours per week. We are not arguing with the importance of MakerSpaces or that this new staff position is not needed or necessary. We strongly believe in and advocate for an increase in spaces where the public can access equipment and materials that encourage and foster creativity and the MakerSpace is a wonderful addition to our community. We fundamentally believe that libraries are important and deserve all the funding they get and more, we are simply making the case that funding for our only public art gallery is equally as important.

Gallery Stratford operates with a regular staff of 2.6 FTE. Our highest staff salary is \$50,000 with no benefits. Our community studio is open to the public approximately 50 hours a week and used by community members and community groups including the Stratford Lakeside Active Adults Association. Our exhibition spaces are open 63 hours a week. In addition to these open public hours we also operate classes, workshops and educational programs 3 to 4 nights a week for children, youth and adults as well as special programs for community groups including the Girl Guides, 4-H Club, Early Childhood Educators, and others and work with arts and community organizations who use our gallery spaces for meetings, workshops, performances and events often a couple of evenings a week. To operate at our current capacity we require a minimum of 142 staff hours per week, yet our paid staff hours are 96. This means that to keep within our budget and maintain the level of service we offer to our community, Gallery staff have been consistently working 46 or more hours of unpaid overtime each week.

Our 2019 Community Grant represents 13% of our total operating budget. The Stratford Perth Museum receives 39% of their funding from the City of Stratford and an additional 26% from the County of Perth. They do not apply for this funding through the Community Grant process, instead can rely on regular support year after year. Knowing that 65% of their base operating support is covered allows the museum staff, volunteers and board to focus on program development, program delivery and community impact rather than spending their time fundraising and worrying about mere survival.

In a community that prides itself on being a leader in the arts, our public gallery operates on a bare bones budget in a building that is out-dated and in need of care and attention. The Community Grant program provides funding that is vital for community groups to continue to offer a range of exciting, dynamic and creative events and opportunities for our community. Gallery Stratford is grateful for the support the City of Stratford provides. We are confident that the programs and services that we provide to our community are on par with those offered by the Stratford Public Library, the Stratford Perth Museum and the City run recreational programs. However, it has become increasingly difficult to sustain and almost impossible to grow these programs without increased levels of funding and a sustained commitment from the City. We recognize that we already receive more funding from the Community Grant program than the other organizations you fund. However, we are the only organization that offers year round regular art programming on a daily basis while also helping to provide space and support for many of the other organizations you fund.

We urge you to consider an increase to our Community Grant as this is one of the only sources of base operating support available to us. The low-end industry average for municipal support to arms-length museums and galleries is in the 31 to 50% range, not including the provision of a building and associated maintenance and capital costs. The City of Stratford funds the Stratford Perth Museum in this range, we are asking for Gallery Stratford to be recognized as an institution of equal importance and significance to our community.

The arts are increasingly being recognized as playing a vital and integral role in community belonging, community empathy, emotional and social well-being and a significant driver in community economic

prosperity. Stratford's identity is tied to the arts and the creative digital world. We need a strong and vital art gallery that will inspire future generations and provide skills in creative and critical thinking. We cannot do this alone. We need and want to be an active partner with the City of Stratford in helping to develop a creative and innovative community. We urge you to help by reconsidering our grant request with an increase in funding helping us achieve a position of sustainability and growth.

Angela Brayham

Director / Curator

abrayham@gallerystratford.on.ca

519-271-5271 x 222

April 30, 2019

From: CommunityGrantApplicationForm@stratford.ca
To: abrayham@gallerystratford.on.ca
Cc: [Wendy Partridge](#)
Subject: Thank you for your response to Community Grant Application Form
Date: November-30-18 10:03:07 AM

Hello,

Thank you for your response to Community Grant Application Form submitted at Friday November 30th 2018 10:02 AM with reference number 2018-11-30-001.

- **Amount requested for this grant:**

\$60,000

- **Please explain how your activity or service will specifically benefit the residents of Stratford:**

As the only public art gallery, in Perth & Huron counties, Gallery Stratford has played a vital role in engaging, inspiring, and providing exhibition opportunities for our local, regional and national artists; bringing new forms of artistic expression to a Stratford audience; broadening the cultural experience for tourists; educating children, youth, adults, and seniors through our educational and outreach programs; awakening the senses; and enhancing the quality of life in our community for fifty years.

In 1967 The Stratford Art Association, now Gallery Stratford, opened in the former Stratford Public Utilities Pump House, and began to present an exciting exhibition program drawn from local, regional, national, and international artists supported by year-round arts education programming that included: art classes and workshops for children, adults, and seniors; school programs; family day activities; art camps; panel discussions and artist talks; and our open-access Community Art Studio. In addition to our exhibition and education programs, our outreach programs are designed to encourage engagement and collaboration in the community. As a member of this community we are also aware that there is a serious lack of space for local community and arts groups to meet, perform, and gather. We believe that partnering with and supporting the local non-profit and arts community benefits all of us and, therefore, we make our space available for little or no charge.

Some of the community projects we partnered with this past year:

- Stratford Camera Club held their regular monthly meetings in our gallery space – attendance 25 monthly;
- Professional Early Learning Community of Perth County – we created two art workshops for 25 attendees each;

- Stratford Arts and Culture Collective held a series of meetings for local artists and arts organizations in our facility – attendance 50;
- Stratford Tourism Association held their AGM in our galleries – attendance 55;
- Stratford Bed & Breakfast Association held their spring members meeting in our galleries – attendance 65;
- Retired Women Teachers of Ontario Stratford / Perth Chapter held their new members orientation meeting in our galleries – attendance 35;
- The Stratford Century of Women committee screened Suffragette in the gallery – attendance 45;
- Stratford Trashion Week held their RE-Fashion Show in the gallery – attendance 70;
- Tiny Rooms Production mounted four performances of Sean Graney's play "The 4th graders present an unnamed love suicide". This is the third year we have partnered with this company – total attendance 120;
- Springworks Indie Theatre & Arts Festival held their media launch at the gallery. This is a multi-year partnership with the gallery frequently acting as a venue for performances and events. – attendance 25;
- Lawn Summer Nights moved their annual fundraiser for Cystic Fibrosis to Gallery Stratford when the lawn bowling greens were no longer available;
- Avon Maitland School District Summer Learning Program – this was the second year we provided an enriched afternoon art program for students enrolled in the School District's special summer program.

In addition to these formal community partnerships, Gallery Stratford has opened its doors to both product photos shoots for local designers as well as wedding photographers seeking out a unique location. While we are committed to welcoming the community into our space, we continue to partner with and create collaborative outreach programming with various community and arts organizations. Some of these projects include:

- Springworks Puppet Festival – We took our Family Art Sunday program off-site to Market Square during Puppet Festival weekend engaging 100's of children and families in art making and creating;
- Swan Parade – one again Gallery Stratford brought their Creation Place art activity station to Swan Parade engaging with 100's of children and families;
- Canada Day at Market Square – Our ArtCycle Stratford provided art making and creating activities for children and families attending Canada Day;
- Culture Days where we offered free weekend long lantern making workshops to support Playmakers! Theatre School's Lantern Parade;
- Stratford Central Secondary School – this was the second year we worked closely with the Grade 12 art students to develop an

exhibition of their work in our gallery spaces;

- Stratford Central Secondary School – we once again partnered with the Grade 9 art students exhibiting their skateboard art in our Steelbox Art Lab;
- Nancy Campbell Collegiate Institute – working with their art teacher we provided one of their Grade 9 international students with the opportunity to exhibit his work in a solo exhibition at the Steelbox Art Lab;
- Brain Injury Association of London and Region – Working together with local therapists and social workers and individuals suffering with brain injuries, we hosted a number of art workshops and mounted the Unmasking Brain Injury Project in our Steelbox Art Lab

We are currently working together with and mentoring the Grade 12 art students from Stratford Central on the development of their third annual art exhibit opening January 2019. We will once again be hosting Stratford Trashion Week's RE-Fashion Show in April 2019 and are working with Tiny Rooms Production on extending the run of their 2019 play during the Fall of 2019. Our partnership with Springworks Festival is ongoing and we are currently working on plans for 2019 programming.

Activities like those listed above, are an important part of our community outreach initiatives, but are only a small part of the community based programming we offer through the gallery. Our Family Art Sunday programs offer free family friendly, inspired and creative art making workshops for the community. Due to the popularity of this monthly program, and with a recent grant from the Stratford Perth Community Foundation, we are now able to offer this program weekly on a year-round basis. Each Family Art Sunday attracts between 20 and 50 individuals and is led by an art educator. With the move of the Stratford Lakeside Active Adults to the Agriplex, the art and painting group now uses our studio space for their weekly painting sessions. The popularity of this Thursday morning program has resulted in our making our studio space and art materials available to seniors or others on a drop in basis one morning and one afternoon per week. This fall we started a new program in collaboration with Community Living and Family Services offering art classes for their clients and participants. This program is growing in popularity and addresses a need for accessible creative arts opportunities for individuals with various needs and abilities.

When regular classes or scheduled programs are not in session our Community Studio / Classroom space is open for community use during regular gallery hours. Community members regularly drop in to use free art materials and take advantage of this free creative workspace. Our #ArtCycleStratford and #sharestratfordartbutton projects, initiated in the summer of 2016 have continued engaging

the community in art making and art appreciation. Over 500 individuals engaged with our #ArtCycleStratford animators in our local parks over the summer months, encouraging local community members and tourists to make and create art. Since launching our #sharestratfordartbuttons in June 2016, we have distributed over 4000 original miniature works of art created by local artists. This summer we created a line of Gallery Stratford branded art buttons, which are available free for visitors to the gallery. We have distributed over 1000 of these buttons since July.

Addressing the needs of our local art community, we launched our Steelbox Art Lab, an off-site exhibition and project space housed in a repurposed shipping container, in 2015. This past summer we presented exhibitions and projects created by students from both Stratford Central and Nancy Campbell, a community partnership exhibition, and featured the work of students from our popular summer art camp program Arts Alive in weekly rotating exhibitions throughout the summer. For many of the individuals who presented work over the summer this was their first opportunity to exhibit their art work publicly. This alternative exhibition space helps animate this area of town and engages community members that may not normally visit a traditional art gallery space.

A study on Museum and Art Gallery Attendance in Canada found that on average 24% of the population has attended an art gallery in the past 12 months. This percentage is lower for smaller rural communities, individuals without post-secondary education, and for those in lower (less than \$40,000 per year) income brackets. With a total exhibition attendance in excess of 10,000 per year, attendance at Gallery Stratford averages approximately 31% of our population, showing that Gallery Stratford performs better than our peer institutions in other communities.

Since May 2016 we have offered free admission, making the gallery more accessible and affordable, resulting in an 81% increase in our attendance in 2016, growing attendance figures in 2017 and only a very slight decrease in 2018 due to the closure of Romeo Street for most of the past summer. To further support our policy to be more open and accessible to the community, we started opening on public and statutory holidays in 2016 and as of summer 2017 we are open seven days a week from 10 am to 5 pm. Our philosophy is that "we are open when you are available," as a result Gallery Stratford is open and available for the public 360 days a year. With our active art education programs, together with community groups who make use of our space for after-hours meetings and events, our building is in use most days from 8:30 am to 9 pm.

- **Please indicate how the grant funds will be used:**

As Stratford's only public art gallery, funds received through the Community Grant Program will help support our ongoing exhibition, education, and community outreach programs. Grant funds are also vital to the continued operation of our aging city-owned facility, helping to partially off-set the approximately \$30,000 annual utilities, insurance and building operating expenses. See Section 3 for detailed description of programs and activities.

- **If you are requesting an in-kind grant, please list the in-kind services being requested and provide costing(s) from the appropriate City department(s) to support amount being requested above:**

N/A

- **Organization name:**

Gallery Stratford

- **Contact Name:**

Angela Brayham

- **Mailing Address:**

54 Romeo Street S
Stratford, ON . N5A 4S9

- **Telephone Number:**

(519) 271-5271

- **Email:**

abrayham@gallerystratford.on.ca

- **Website:**

www.gallerystratford.on.ca

- **Briefly state your organization's missions/goals:**

Vision: Gallery Stratford is a leading visual arts destination and an important cultural resource for the Stratford community and the counties of Perth and Huron.

Mission: Gallery Stratford's mission is to present changing exhibitions of visual art, with a focus on contemporary Canadian art. Through responsive programming and innovation, Gallery Stratford strives to engage the public, create dialogue, and offer dynamic opportunities of education, exploration, creation, collaboration, and interactive learning. Gallery Stratford is committed to building its permanent

collection as a resource for the community and future generations.

- **Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) :**

1. [Gallery Stratford Org Structure 18 - 19.pdf \[131.9 KB\]](#)

- **Number of Volunteers:**

150

- **Does the organization operate as a not-for-profit?**

Yes

- **Is the organization incorporated?**

Yes

- **If yes, please provide Date of Incorporation;**

1/20/1965

- **Does the organization have charitable status?**

Yes

- **If yes, please provide charitable number:**

11919 9933 RR0001

- **Are fees charged for membership or for any of the services/activities you provide?**

Yes

- **If yes, please explain:**

We have a member / donor base of approximately 200 individuals who provide much needed financial support and are able to vote at our Annual General Meeting. This is not a pre-requisite for participation in any of our programs or events. Our galleries are open to the public 7 days per week year-round with free admission. Our art classes are operated on a cost-recovery basis, so that they remain affordable and accessible with many of our art programs available free of charge to the community. We offer our space to community groups, non-profits and arts organizations for free or a minimal charge to help off-set direct expenses.

- **Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities?**

Yes

- **If yes, please explain:**

As the only public art gallery in our region, our programs, exhibitions and events attract local residents, individuals from the surrounding region (London, KW, Guelph, GTA) as well as tourists that visit Stratford for the Festival, Summer Music, or other business or professional reasons.

- **Website link to program details:**

www.gallerystratford.on.ca

- **Otherwise, please attach supporting information to illustrate your organization's programs and activities, and how they meet the Community Grants Program eligibility criteria:**

1. [Gallery Stratford City Grant 2019 Program Details.pdf \[313.4 KB\]](#)

- **Most recent year-end financial statements**

1. [2017 Gallery Stratford Signed Statements.pdf \[720.8 KB\]](#)

- **Budget for the year in which the funds are being requested:**

1. [2019 Gallery Stratford City Grant Budget.pdf \[55.8 KB\]](#)

- **Please indicate separately any funding requested or received from other levels of government and other agencies, and the status of each application. Please state None if applicable.**

Gallery Stratford applies for Public Art Gallery Operating Support through the Ontario Arts Council. Our 2019 funding is confirmed at \$12,659. We have a 2019 grant of \$500 confirmed from the Leisure Activity Council for our Baby Art Walk program. We typically apply for and have had good success in applying for summer student funding through both Young Canada Works and Canada Summer Jobs. We also routinely apply for and have had good success with funding our seniors programs through the New Horizons Program. This is typically \$25,000 per year.

- **Please provide any additional comments you have here regarding your 2019 grant application:**

Thank you for the ongoing support of the City of Stratford. Our request for an increase in funding \$50,000 (2018) to \$60,000 (2019) helps us sustain our programs. The visual arts record and respond to our current social and political condition. A municipal art gallery,

therefore, is the space where the community can come together to create, to learn, to be inspired, to connect, and to escape. In a world where creativity and innovation rule, it is our art galleries that provide our citizens with the place to explore and engage and develop the skills to become the innovators of the future. In today's competitive and political funding climate it is becoming virtually impossible for art galleries to survive through donations alone. We thank you for your support!

- **Full name:**
Angela Brayham
- **Position:**
Director / Curator
- **Application Date:**
11/30/2018

[This is an automated email notification -- please do not respond]

2019 Gallery Stratford Community Grant Program

3. Program Information

Overview

As the only organization in our community dedicated to both the exhibition, preservation and education of the visual arts we are constantly looking at new ways we can address the growing and diverse needs of our community. Over the past few years we have changed both our exhibition philosophy and schedule allowing us to present a diverse range of rotating exhibitions. Our former gallery shop has been converted into a small intimate gallery space where we can present work by local artists. We have made a commitment to showcase our permanent collection on a more regular basis and have invited community members in to work with us to curate these exhibitions. Together with our free admission policy, these changes have resulted in a relatively strong and growing visitor attendance, however, funding continues to be a challenge making it more and more challenging to maintain our current level of service to the community.

As one of the few public galleries in Ontario without a base level of annual support, the increase in funding from the City of Stratford in 2018 was greatly appreciated and vital to our continued sustainability. Despite our growing attendance, improvement in the quality of our programs and increased outreach and engagement with our community our funding from the Ontario Arts Council has decreased steadily these past few years. Our building provides us with a beautiful setting in which to present art, however, it is over 130 years old and has not received substantial renovation or updating since we moved into this site in 1967. When we opened 50 years ago, we were a Class "A" Museum Facility, however, today our facilities are aging and we no longer meet these requirements making it difficult if not impossible to borrow work from other institutions. Our base building operational costs (utilities, insurance) were \$29,500 in 2017, representing 7% of our budget, a higher percentage than we are able to dedicate to our exhibition program which is at the heart of our mission.

With the in the minimum wage last January 1st our payroll increased for both our weekend Visitor Services position and our summer Arts Alive staff. This resulted in the elimination of our weekend Visitor Services position during the off-season and an increase in hours and demands for our salaried full-time staff. Staff salaries have seen little to no increase over the past seven years and remain lower than the industry average. Our summer staff, who operate our art classes, art camps, and the educational and outreach programs for the community, are all local students who are paid minimum wage. As a public art gallery we are required to pay artist fees at the CARFAC rates to all exhibiting artists. These fees have risen annually at a rate of 3%.

While the participation and attendance in our programs and exhibitions continues to grow annually, there is increased competition from the more stably funded organizations in our community (Stratford Perth Museum, the Stratford Public Library) who are offering art related programs and classes often for free. We are also experiencing increased competition from various new for-profit individuals and companies (Michael's, Knot Too Shabby, Kind HeARTed Studio, York Lane Collective) who have begun to offer free or low-cost art classes, and art programs. While our programs are created, and run by professional artists and art educators and provide community members with a level of quality art programming not found through our new competitors, it is difficult for us to compete with the "sexiness" of some of these new programs when we don't have the capitol to invest in new programming or infrastructure.

Exposure to the visual arts has been shown to improve student retention and graduation rates, as it helps develop cognitive and creative thinking. There is also growing recent research showing that the arts are important for our physical, emotional, and mental health. Engaging with the arts has been shown to have a marked decrease in feelings of anxiety and depression and improves overall wellbeing and social inclusion. Through our programs at the gallery we have seen first-hand the way the arts connect people and how they help make sense of our lives and the world around us.

Over the past two summers we have seen the impact that experiential exhibitions can have on a community. Steve Driscoll's *Just a Sliver of a Room* brought the tranquility of the northern Ontario landscape into the gallery

2019 Gallery Stratford Community Grant Program

space. This summer Amanda McCavour's installation *Poppies* enchanted our visitors as they stood, lay, danced, and sat under 762 embroidered poppies that cascaded from the gallery ceiling. Visitors returned for multiple visits, bringing friends and family members with them to share their experiences.

Our seniors, inter-generational, youth, family, and special needs programs have resulted in positive and inspirational learning exchanges and the forming of new friendships.

While we continue to work at growing our impact and outreach into the community and offer an increasing number of free and low-cost activities and programs to our community, our funding remains inadequate to sustain our level of service to the community. We are grateful for the ongoing support of the City of Stratford both in terms of our Community Grant and the use of our building and grounds and are thankful for the \$7000 increase we received in 2018. Gallery Stratford is the only arts organization in our community that provides programs and services to our community on a daily year-round basis, yet our funding has risen a mere \$8800 over a ten year period. This is less than \$1000 a year. The basic costs of operating our city owned building represent 58% of our current grant funding, leaving little for program costs or new program development. We are therefore requesting an increase of \$10,000 this year.

Art Exhibitions:

Stratford and Regional Artists

Gallery Stratford is committed to promoting and investing in the presentation and development of the artists living and working in Stratford and the surrounding region. These local and regional artists reflect a diversity of vision and a multitude of voices that respond to our shared sense of place. Through presenting the work of our local artists we not only celebrate the talent that exists, but we can also look at what it means to live and work in our region, providing a space for discussion, dialogue and debate.

In 2017 we changed the format of our annual Perth-Huron Juried Exhibition by opening it up to artists in our neighbouring counties of Bruce and Grey. We will be continuing this important regional exhibition as a biannual event with our next exhibition in 2019. While this exhibition is open to artists in the four county region over 85% of both the artists entering the exhibition and those selected by the juror to exhibit have been from Stratford. As part of the overall professionalization of this exhibition initiated a series of workshops in 2016 to assist local artists in developing the professional skills needed to build a successful art career and for the past two years have selected respected gallerists from Toronto. Working with gallerists who operate in the international art world provides important exposure for our local artists who often find it difficult to promote their work outside the immediate area. This exhibition provides a much needed professional platform for our local artists, providing many of them with their first opportunity to exhibit in a public gallery, and for others the opportunity to exhibit their work in their community and develop their resumes and experience.

Over the past few years we have developed a strong partnership with Stratford Central Secondary School. Three exhibitions of skateboard art created by the Grade 10 art classes have been exhibited in the Steelbox Art Lab, first in October 2016 and again in both June 2017 and 2018. The work of the Grade 12 Art Students was exhibited in one of our main gallery spaces in January 2017. The success of this exhibition has resulted in us making it a regular part of our annual exhibition schedule, with the third Grade 12 Art Exhibition opening January 15, 2019. An important part of this program is the mentoring that takes place throughout the semester. Gallery curatorial staff visit with the students in the classroom for "studio visits" providing the students with the opportunity to talk about their work with art professionals.

Our gallery programming works to find a balance between recognizing and celebrating local talent and bringing new work from national and international artists to the attention of the local art audience. In 2018 we presented the work of local and regional artists: Emily Schaefer (Stratford / Tavistock), Stefy McKnight (Kingston), Svava Thordis Juliusson (Hamilton), Susan Schelle (Toronto), Glenn Elliott (Stratford), Amanda McCavour (Toronto), Jane Tingley (Kitchener / Stratford), Silvana Bruni (Stratford), Gerard Brender a Brandis (Stratford), Vessna Perunovich

2019 Gallery Stratford Community Grant Program

(Toronto) and Rena Balmain Matthews (Stratford). Stratford based artist Jenn Mezei has created a mural on the Steelbox Art Lab as part of an ongoing collaborative and interactive work that will continue in the spring of 2019.

Our permanent collection has played an important role in preserving the work of local and national artists and is held in trust for our community. We view this collection as the community's collection and over the past three years have invited community members to work with us to curate an exhibition. These exhibitions have proven to be an excellent way to present a range of curatorial viewpoints and aesthetic interests, while also introducing community members to the collection helping them understand both the importance and need for care.

As fostering and promoting local and regional talent is an important part of our mandate, Gallery Stratford is a regular participant in the Ontario Arts Council Exhibition Assistance granting program helping to allocate grants that help fund independent visual arts projects proposed by local and regional artists. The Director / Curator regularly meets with local artists in their studios and attends local exhibitions and arts events as a means to develop future exhibition ideas and proposals and to help create a cohesive and collaborative visual arts community. Gallery Stratford is committed to the proper compensation of artists and pays fees to all exhibiting artists according to the Canadian National Standard (CARFAC).

2018 – 2019 Programming

Our 2018 exhibition program focused largely on female artists pairing younger or emerging local artists with more experienced senior artists working in our region. Our summer programming supported and celebrated the 140th anniversary of the Stratford & District Horticultural Society presenting four exhibitions focusing on gardens, horticulture and flowers.

Our 2019 exhibition programming explores issues of identity and sense of place and opens with an exhibition of Cambridge based indigenous artist Don Russell and a permanent collection exhibition curated by long-time friends Lucinda Jones (Stratford – artist), Dorothy Washburn (Stratford – retired educator), and Irene Miller (Stratford – artist). These three women bridge three generations and represent different viewpoints and aesthetic backgrounds. Our summer exhibitions will follow the experiential direction taken over the past few years with Libby Hague (Toronto) and Ann Marie Hadcock (Owen Sound) creating immersive installations.

Education: Inspiring, Creating, and Engaging our Community

Gallery Stratford is widely recognized for offering creative, inspired, and engaging educational programs that foster skill development and creative exploration in a fun, accessible and enjoyable environment. Our educational programs are designed for all ages and skill levels and are taught by professional artists and arts educators who live in Stratford and the surrounding area. To make visual arts education accessible to all members of our community, we have created a number of free art programs that are specifically directed at families and seniors. Family Art Sundays provide residents and gallery visitors with a free weekly opportunity to drop-in and participate in creative art projects with trained art educators. Our Community Art Studio is open daily providing opportunities for the community to drop in and make use of our free art supplies and have access to instruction. With the help of New Horizons for Seniors funding and the Ontario Seniors Community Grant program we have developed relationships with local senior residences and the seniors community offering both structured programs and drop-in sessions that focus on creativity, skill development and social networking.

School Programs

An important goal of Gallery Stratford is to develop visual arts education among school-age children. The Gallery welcomes over 500 students from the Huron-Perth Catholic District School Board and the Avon Maitland District School Board for gallery tours and workshops each year. Tours of current exhibitions and hands-on workshops taught by our art educators are provided to assist teachers with the Visual Art Curriculum. The Gallery continues to reach out to alternative education sectors with art programs designed for home-schooled children and their families.

2019 Gallery Stratford Community Grant Program

Family Programs

Gallery Stratford's family programs are designed to nourish and encourage creating art together. Through free art programs, such as *Family Art Sunday*, *Baby Art Walk*, and *Creating Together* (ages 2-3 with parent), the Gallery has seen an increase in both new attendance and returning participants. Due to the growing attendance and the desire for free accessible art programming our Family Art Sunday program has been expanded from once a month to weekly.

Children's Programs

Led by local artists, Gallery Stratford's children's programs hone natural creativity and encourage self-expression, while creating artistic, meaningful experiences. In addition to year-round after school and weekend programs, the *Arts Alive* summer camp has been a mainstay of visual arts education in our community for over 20 years. Our Art & Tennis collaboration with the Stratford Tennis Club expanded into a four-week program during the summer of 2016 and a six-week program in 2017 and 2018. The success and popularity of this multi-layered experience combining athletic and artistic skill development in one summer camp led to the creation of our Golf and Art program in 2015. The overwhelming success of these two programs indicated that there is a need for programming that engages both the body and the mind. Currently at capacity, we are working with both the Stratford Tennis Club and the Stratford Golf and Country Club to double attendance by offering both morning and afternoon sessions.

Our birthday party programs provide opportunities for children to participate in an art project led by an art educator followed by cake and presents. This program brings new families into the gallery and is another opportunity to engage and inspire a new generation of young artists.

Our PA Day, and winter and march break art camps are typically filled to capacity, frequently taking over one of our gallery spaces. These camps offer our young participants with opportunities to learn about and experiment with a number of art forms and practices.

Teen Programs

Gallery Stratford's teen programs are designed for students to enjoy the freedom to express their artistic side with creative like-minded participants. Recognizing the need for artistic skill development, leadership, and self-esteem building we are continually meeting and working with the youth in our community to develop new and innovative programs that will foster creativity, community engagement, and independence. As many of the students find transportation to the gallery difficult, we are currently working with students and the art teachers at Stratford Central to develop an after school art club that can rotate between the school or other community setting and the gallery.

Adult Programs

Our adult art programs are seeing record enrollments and continue to grow year over year. Adult programs are designed for all levels of creative learners and ranges from formal instruction to weekly drop-in life drawing and painting sessions. This range of programming covers a variety of art techniques and mediums, allowing ample opportunity for experimentation, discovery, and innovation.

In collaboration with Family Services and Community Living we have initiated a new program for adults living with disabilities. These four week programs have been well-received and fill a void, offering an avenue for creative self-expression, social interaction and skill development.

Senior Programs

Gallery Stratford offers a variety of programs exclusively created for seniors emphasizing the importance of life-long learning. Afternoon art sessions and intergenerational art workshops provide opportunity for creative expression and hands-on learning, while artist lectures, and volunteer opportunities provide opportunities for interaction, education and engagement. Our volunteer and docent program is managed and run primarily by seniors and provides vital support in our visitor services area and giving tours to gallery visitors and school groups.

2019 Gallery Stratford Community Grant Program

We have been fortunate to receive ongoing support from the New Horizons for Seniors Program to develop and offer creative programs that are making an impact on the lives of seniors living in our community. Our intergenerational programs continue to be a resounding success and bring together students and seniors in the act of co-creation. The work created during our New Horizons for Seniors program is celebrated with an exhibition and artist reception in our community studio space.

With the help of the Ontario Seniors Community Grant we were able to purchase a kiln and will be beginning to offer clay and ceramics classes for seniors and others in our community. Clay is a tactile medium that is therapeutic, while also offering opportunities for creative self-expression regardless of skill level or visual or manual dexterity. We are excited about the creative opportunities that this will present for our community.

Art Scholarships and Bursaries for Youth

Gallery Stratford is committed to supporting the development of the next generation of artists and cultural participants. The Gallery continues to increase funds in its Bursary Program for the popular Arts Alive summer program to provide children from families with financial need an opportunity to participate in free weekly art classes taught by professional artists. In addition to this, the Gallery presents the Ela Moll scholarship to an exceptional high school student pursuing visual arts at the secondary level. Local artist, Glenn Elliott passed away suddenly in November 2017. With the help of our community we started a memorial scholarship in his name and will be presenting the first Glenn Elliott Memorial Scholarship at the Stratford Central Convocation this month.

Communications Strategy

We have been increasingly relying on Social Media as our major communication and marketing platform. The visual nature of our exhibitions, programs and events makes them highly shareable and as a result our online audience continues to grow.

Our website has been in need of a major revamp for a number of years and we have recently engaged a website design firm to assist us with this. Our new website will be launched Spring 2019.

We are very fortunate that local graphic designer Scott McKowen and local printers International Graphics continue to partner with us to produce high quality exhibition handouts and posters. Through their combined donation of services and printing we have been able to print exhibition handouts and posters which together enhance our visitor experience by providing explanatory or didactic information about the artists and artwork we are exhibiting.

Our Permanent Collection

The Gallery cares for over 1000 significant art works, including drawings, paintings, and prints by important Canadian and International artists. Permanent collections are held in trust to preserve our cultural assets, provide valuable resources for research and advancement of knowledge, as well as for the enjoyment of the community. Due to space and budgetary limitations we are no longer actively adding to our collection, however, our recent commitment to exhibiting our collection in temporary exhibitions has also allowed us to take a more proactive approach to documentation and conservation.

Thanks to support of the Young Canada Works program we have been working on digitally documenting and researching our collection over the past year and a half. Our current collection facilities need upgrading as they are cramped and not up to current art gallery / museum standards. As part of a long-term facility plan we need to look at how we can upgrade our collection storage to properly protect our cultural assets.

Community Volunteers & Partnerships

2019 Gallery Stratford Community Grant Program

Gallery Stratford continues to creatively and passionately contribute to a vibrant, healthy, active community for the residents and visitors of Stratford. Community engagement plays a central role in program development and is an important catalyst for the growth of the Gallery. Over 150 local volunteers contribute to the Gallery's many events and programs. The *I Love My Gallery* Radio Auction in February and our Gala at the Gallery in May, have been supported by approximately 400 businesses and over 900 volunteer hours, generating almost 20% of our annual revenue. Due to changes in how our community engages with and consumes media, the radio auction is no longer a viable means to raise funds. We are looking at a number of new opportunities and recently launched the Gallery Stratford 100, based on the successful '100 women who care' model. Since launching this new fundraising initiative two weeks ago we have reached 28% of our goal, demonstrating the willingness of individuals in our community to support organizations that enhance and contribute to our quality of life. Volunteers also participate as greeters at our front desk, as tour guides, and studio assistants for our classes. Each year one of our outstanding volunteers is recognized and acknowledged through the Anne P. Gregory Award during our volunteer and sponsor Thank-you reception. This year we will be presenting this award to Shawn Blackburn, a Community Living client who has faithfully volunteered at the gallery every Friday morning for almost a decade.

Community collaboration and partnerships are important to a thriving community and we continue to develop and grow our partnerships with: the Stratford Tourism Alliance, Stratford Area Bed and Breakfast Association, Heritage Stratford, Stratford Public Library, Playmakers! Theatre School, Stratford Arts & Culture Collective, University of Waterloo - Stratford Campus, Rotary Club of Stratford, Stratford Chamber of Commerce, Springworks Indie Theatre & Arts Festival, Community Living Stratford and Area, Alzheimer Society of Perth County, Stratford Youth Centre, the Avon Maitland School District, the YMCA, among others.

Financial Sustainability

Gallery Stratford's financial planning is guided by a five-year Strategic Plan. Working with an art consultant and facilitator funded through the Ontario Arts Council Compass Grant program we began work on our next five-year plan this past April. Base operational funding consists of annual grants from municipal and provincial agencies, including the City of Stratford and the Ontario Arts Council. We have been fortunate these past few years to receive project based funding from New Horizons for Seniors, the Ontario Arts Council, the Stratford – Perth Community Foundation, Leisure Activity Council, and the Ontario Seniors Community Grant program. This project funding has allowed us to initiate new community based projects. While we are proud of the programs we have developed, and are seeing the impact they are creating, maintaining these programs continues to be a challenge as funders and sponsors prioritize new initiatives, with the expectation that core operating funds will allow for these programs to be sustained.

Without any core base funding, we are in the position where we have to raise 100% of our operating budget each year. This provides challenges in terms of future planning as well as the sustainability of programs. Over the past few years we have managed this successfully through prudent budget oversight, a freeze on salaries, reducing part-time staff, full-time staff assuming jobs we previously contracted out (exhibition install, etc), and reducing or cutting our marketing and other budgets. With the rising costs of everything from postage, to artist fees, art supplies, and most recently the minimum wage we are forced to look at new ways to either cut expenses or find new or increase existing funding sources.

We feel that the service we provide and the impact we have on our community is vital. We are one of the few arts organizations in our community that operate daily year-round with programs that are free and accessible to our community. For many individuals in our community, we provide their first and in some cases only exposure to the visual arts. For tourists to our community, we add significantly to the arts experiences they seek which may help keep them in our community a day or so longer.

We have also found over the past year that we are one of the few venues in town that are available for other non-profit and arts groups to use. We receive numerous requests from individuals, community groups, and arts organizations on a weekly and monthly basis asking to use our space. While we love working with and assisting

2019 Gallery Stratford Community Grant Program

our community partners, offering our space free or at a reduced cost, taxes staff and adds to our cleaning and facility expenses.

We understand that our community has many important needs and as a result there is insufficient funds to support all of the deserving community projects that request funding through the Community Grant program. We are asking for a significant increase again this year, however, we feel that this increase represents the significant benefit we provide to our community. Public Art galleries serve as a vital cultural hub in their communities. With the City of Stratford's continued support we can both sustain and grow our existing programs, support local artists, foster a greater interest and appreciation for the visual arts, while also continuing to provide space for the community to meet, perform and gather.

GALLERY STRATFORD

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2. General Organization Information

Organizational Structure

Board of Trustees 2018 – 2019

Executive Committee

Bob Phillips, Chair
Arakua Lamptey, Vice-Chair
Spencer Steckley, Treasurer
Clodagh Moss, Secretary

Art Education / Retired
Law
Accountant / Finance / Audit Specialist
Marketing / Community Outreach / Fundraising & Events

Members at Large

Peter Brooks
Katelyn Cuilliton
Ernest Daetwyler
Kathy Vassilakos, City Council Representative

Physician / Community Engagement / Business Mgmt
Accountant / Financial Services / Tax Specialist
Artist / Arts Administration
City Council Representative / Educator

Staff

Angela Brayham, Director / Curator
Nell Crook, Curator of Exhibitions & Education
Melissa Quinn, Manager of Education Programs
Christine Lee, Office Manager
Jessica Sealey, Asst. Curator of Exhibitions & Public Programs

Paid, Full-time
Paid, Full-time (On Mat Leave Feb 2019 – Jan 2020)
Paid, Full-time (Mat Leave replacement Feb 2019 – Jan 2020)
Paid, Part-time
Paid, Full-time (grant funded through February 2019)

**Gallery Stratford
Budget
Current Year, Request Year**

	2018 Budget	2018 Budget
Revenue		
<u>Earned Revenue</u>		
Education Programs	94,800	105,500
Children	8,500	11,000
Adult	13,000	16,000
Summer	55,000	56,000
School Break	2,550	5,000
Open Studio	1,500	1,500
Special Education Workshops	250	500
Avon Maitland School Board	14,000	15,000
Perth Huron Separate School Board		500
Community Outreach	3,200	2,500
TIFF Movie Series		
Bus Trips	1,500	1,500
Outreach	1,700	1,000
Membership	10,000	10,000
Facility Rental	3,000	3,000
Total Earned Revenue	111,000	121,000
Investment Income	4,000	4,000
<u>Private Sector Revenue</u>		
Individual Donations	25,000	26,000
General Donations	13,000	14,000
Donation Box	12,000	12,000
Corporate Sponsorships	1,500	5,000
Exhibition Sponsorship	1,500	5,000
Foundation Grants (Community Fdn)	5,000	5,000
Fundraising Events	99,000	107,000
Auction	85,000	65,000
Nevada	14,000	12,000
Gallery Stratford 100		30,000
Total Private Sector Revenue	130,500	143,000
<u>Public Sector Revenue</u>		
New Horizons Seniors Program	25,000	25,000
OAC Operating Grant	25,318	12,659
City of Stratford Grant	50,000	60,000
OAC Project Grant	5,000	
Trillium		
Employment Grants (Federal / Provincial)	50,000	25,000
Total Public Sector Revenue	155,318	122,659
Total Revenue	400,818	390,659

ExpensesArtistic Expenses

Artist Fees	25,000	25,000
Exhibition	25,000	25,000
Art / Education Salaries	156,743	149,673
Curator of Education (100%)	50,670	58,000
Director / Curator (33%)	17,673	17,673
Art Educators	33,000	30,000
Art Education – New Horizons	6,000	6,000
Exhibition Install	2,900	3,000
Education – Summer Student	27,000	22,000
Exhibition Assistant	19,500	13,000
Total Artistic Expenses	181,743	174,673

Programming Expenses

Exhibition / Programming	42,100	42,100
Children	500	500
Adult	1,000	1,000
Summer	8,000	5,000
School Break	500	300
Seniors – New Horizons	13,300	13,300
Open Studio	1,300	1,500
Special Education Workshops	500	500
Avon Maitland School Board	5,000	5,000
Perth Huron Separate School Board		
Exhibition	12,000	15,000
Collections Management	500	500
Community Outreach	1,400	1,800
ArtCycle Stratford		
Share Stratford Art Buttons	400	300
Steelbox Art Lab		500
Creation Place		
Bus Trips	1,000	1,000
TIFF Movies		
Other Programming (membership / scholarship)	1,350	1,100
AGM / Donor Recognition	750	500
Scholarship	600	600
Total Programming Expenses	45,350	45,500

Operating Expenses

Facility Salaries	3,500	5,000
Facility Expenses	30,000	32,000
Total Operating Expenses	33,500	37,000

Marketing & Communications Expenses

Marketing & Communication Salaries	17,600	17,600
Director / Curator (14%)	7,600	7,600
Front Desk	10,000	10,000
Advertising / Marketing Costs	1,000	1,000
Total Marketing Expenses	18,600	18,600

Fundraising Expenses

Fundraising Salaries	19,300	17,100
Director / Curator (20%)	10,800	10,800
Office Manager (25%)	8,500	6,300
Fundraising Costs	22,000	22,000
Auction	13,000	13,000
Nevada	9,000	9,000
Total Fundraising Expenses	41,300	39,100

Administrative Expenses

Administrative Salaries	44,673	37,673
Director / Curator (33%)	17,673	17,673
Office Manager (75%)	27,000	20,000
Office / Administrative Costs	35,000	38,000
Total Administrative Expenses	79,673	75,673
Total expenses	400,166	390,546
Excess of revenue over expenses	652	113

GALLERY STRATFORD
FINANCIAL STATEMENTS
DECEMBER 31, 2017

JEFFREY R. SKUBOWIUS, BA, CPA, CA
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BRADLEY J. W. McNEIL, BA, MAcc, CPA, CA
STEPHEN VAN DEN HENGEL, BAcc, CPA, CA
PETER D. BRICKMAN, BA, CPA, CA
STEPHEN J. WARD, BA, MAcc, CPA, CA
LYNN EIDT, BBA, CPA, CA
MICHAEL P. B. JAREMCHENKO, BA, CFP, CPA, CA
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Gallery Stratford
Stratford, Ontario

We have audited the accompanying financial statements of **Gallery Stratford**, which comprise the balance sheet as at **December 31, 2017** and the statements of operations and changes in fund balances, surplus 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT - continued

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives cash revenue, 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 the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and surplus as at January 1 and December 31 for both the 2017 and 2016 year ends. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Property, plant and equipment have been recorded at cost and have not been amortized. Accounting standards for not-for-profit organizations require that property, plant and equipment be recorded at cost and amortized over their estimated useful life.

Donated investments in the form of publicly traded shares have been deferred from revenue until the shares have been disposed of by the organization. Accounting standards for not-for-profit organizations require revenue to be recognized when the shares are received.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Gallery Stratford** as at **December 31, 2017** 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.

Famme & Co.

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

Stratford, Ontario
March 28, 2018

Gallery Stratford

Balance Sheet

As at December 31, 2017

ASSETS

	Operating General Fund	Endowment Fund	Nevada Fund	Permanent Collection Fund	Ela Moll Fund	Glenn Elliott Fund	Total 2017	Total 2016
Current Assets								
Cash in bank	\$ 143,449	\$ -	\$ 13,367	\$ -	\$ -	\$ -	\$ 156,816	\$ 143,636
Investments	-	-	-	-	11,286	-	11,286	11,286
Investments - at fair value								
Shares (Cost - \$ 4,290)	10,546	-	-	-	-	-	10,546	9,719
Accounts receivable	15,977	-	-	-	-	-	15,977	12,339
HST receivable	266	-	-	-	-	-	266	-
Prepaid expenses	4,336	-	-	-	-	-	4,336	5,831
Due from the Ela Moll Fund	1,659	-	-	-	(1,659)	-	-	-
	<u>176,233</u>	<u>-</u>	<u>13,367</u>	<u>-</u>	<u>9,627</u>	<u>-</u>	<u>199,227</u>	<u>182,811</u>
Property, Plant and Equipment - at cost								
Leasehold improvements, equipment and fixtures	<u>392,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,191</u>	<u>392,191</u>
Other Assets								
Works of art	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,868,944</u>	<u>-</u>	<u>-</u>	<u>1,868,944</u>	<u>1,846,294</u>
	<u>\$ 568,424</u>	<u>\$ -</u>	<u>\$ 13,367</u>	<u>\$ 1,868,944</u>	<u>\$ 9,627</u>	<u>\$ -</u>	<u>\$ 2,460,362</u>	<u>\$ 2,421,296</u>

Approved on Behalf of the Board:


Director


Director

(See Accompanying Notes to the Financial Statements)

Gallery Stratford

Balance Sheet

As at December 31, 2017

LIABILITIES

	Operating General Fund	Endowment Fund	Nevada Fund	Permanent Collection Fund	Ela Moll Fund	Glenn Elliott Fund	Total 2017	Total 2016
Current Liabilities								
Deferred revenue	\$ 74,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,838	\$ 67,637
Accounts payable and accrued liabilities	16,454	-	-	-	-	-	16,454	18,572
HST payable	-	-	-	-	-	-	-	960
Payroll remittances payable	4,442	-	-	-	-	-	4,442	4,676
Due to Permanent Collection Fund	5,958	-	-	(5,958)	-	-	-	-
Due to the Nevada Fund	41,986	-	(41,986)	-	-	-	-	-
Due to the Endowment Fund	41,030	(41,030)	-	-	-	-	-	-
Due to Glenn Elliot Fund	6,893	-	-	-	-	(6,893)	-	-
Deferred share donation revenue	10,546	-	-	-	-	-	10,546	9,719
	<u>202,147</u>	<u>(41,030)</u>	<u>(41,986)</u>	<u>(5,958)</u>	<u>-</u>	<u>(6,893)</u>	<u>106,280</u>	<u>101,564</u>
			SURPLUS					
Surplus	<u>366,277</u>	<u>41,030</u>	<u>55,353</u>	<u>1,874,902</u>	<u>9,627</u>	<u>6,893</u>	<u>2,354,082</u>	<u>2,319,732</u>
	<u>\$ 568,424</u>	<u>\$ -</u>	<u>\$ 13,367</u>	<u>\$ 1,868,944</u>	<u>\$ 9,627</u>	<u>\$ -</u>	<u>\$ 2,460,362</u>	<u>\$ 2,421,296</u>

(See Accompanying Notes to the Financial Statements)

Gallery Stratford

Statement of Surplus

For the year ended December 31, 2017

	Operating General Fund	Endowment Fund	Nevada Fund	Permanent Collection Fund	Ela Moll Fund	Glenn Elliott Fund	Total 2017	Total 2016
Balance - beginning of year	\$ 370,700	\$ 35,755	\$ 50,386	\$ 1,852,990	\$ 9,901	\$ -	\$ 2,319,732	\$ 2,313,335
Excess revenue over expenditures (expenditures over revenue) for the year	<u>(4,423)</u>	<u>5,275</u>	<u>4,967</u>	<u>21,912</u>	<u>(274)</u>	<u>6,893</u>	<u>34,350</u>	<u>6,397</u>
Balance - end of year	<u>\$ 366,277</u>	<u>\$ 41,030</u>	<u>\$ 55,353</u>	<u>\$ 1,874,902</u>	<u>\$ 9,627</u>	<u>\$ 6,893</u>	<u>\$ 2,354,082</u>	<u>\$ 2,319,732</u>

(See Accompanying Notes to the Financial Statements)

Gallery Stratford
Statement of Operations and Changes in Fund Balance
For the year ended December 31, 2017

	Operating General Fund		Endowment Fund		Nevada Fund		Permanent Collection Fund		Ela Moll Fund		Glenn Elliott Fund		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue														
Earned revenue (Schedule 2)	\$ 14,157	\$ 23,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,157	\$ 23,654
Public sector grants (Note 5)	142,559	136,202	-	-	-	-	-	-	-	-	-	-	142,559	136,202
Fund raising programs revenue (Schedule 1)	93,922	90,460	-	-	-	-	-	-	-	-	-	-	93,922	90,460
Exhibitions														
- sponsors	5,000	6,220	-	-	-	-	-	-	-	-	-	-	5,000	6,220
- miscellaneous	2,279	-	-	-	-	-	-	-	-	-	-	-	2,279	-
Facility rent	7,944	600	-	-	-	-	-	-	-	-	-	-	7,944	600
Educational programs (Note 6)	108,336	102,603	-	-	-	-	-	-	-	-	-	-	108,336	102,603
Memorial donations	-	-	-	-	-	-	-	-	-	-	6,893	-	6,893	-
Donations, including admissions	25,570	15,010	-	-	-	-	22,650	-	-	-	-	-	48,220	15,010
Interest and dividend income	805	1,369	5,275	6,179	-	-	-	-	226	160	-	-	6,306	7,708
Nevada tickets	-	-	-	-	11,923	16,484	-	-	-	-	-	-	11,923	16,484
	<u>400,572</u>	<u>376,118</u>	<u>5,275</u>	<u>6,179</u>	<u>11,923</u>	<u>16,484</u>	<u>22,650</u>	<u>-</u>	<u>226</u>	<u>160</u>	<u>6,893</u>	<u>-</u>	<u>447,539</u>	<u>398,941</u>

(See Accompanying Notes to the Financial Statements)

Gallery Stratford
Statement of Operations and Changes in Fund Balance
For the year ended December 31, 2017

	Operating General Fund		Endowment Fund		Nevada Fund		Permanent Collection Fund		Ela Moll Fund		Glenn Elliott Fund		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue carried forward	\$ 400,572	\$ 376,118	\$ 5,275	\$ 6,179	\$ 11,923	\$ 16,484	\$ 22,650	\$ -	\$ 226	\$ 160	\$ 6,893	\$ -	\$ 447,539	\$ 398,941
Expenditures														
Direct expenditures (Schedule 2)	530	6,222	-	-	-	-	-	-	-	-	-	-	530	6,222
Fund raising programs expenditures (Schedule 1)	15,320	18,463	-	-	-	-	-	-	-	-	-	-	15,320	18,463
Salaries and benefits	220,464	182,838	-	-	-	-	-	-	-	-	-	-	220,464	182,838
Exhibitions (Note 11)	43,934	25,645	-	-	-	-	-	-	-	-	-	-	43,934	25,645
Administration (Schedule 3)	43,875	45,551	-	-	-	-	-	-	-	-	-	-	43,875	45,551
Premise (Schedule 3)	19,668	22,429	-	-	-	-	-	-	-	-	-	-	19,668	22,429
Framing and appraisal fee	-	-	-	-	-	-	738	168	-	-	-	-	738	168
Educational programs (Note 6)	50,538	49,666	-	-	-	-	-	-	-	-	-	-	50,538	49,666
Specific grant programs (Note 10)	8,429	30,423	-	-	-	-	-	-	-	-	-	-	8,429	30,423
Tickets	-	-	-	-	6,956	6,938	-	-	-	-	-	-	6,956	6,938
Commission fees	-	-	-	-	-	3,101	-	-	-	-	-	-	-	3,101
Scholarship awarded	600	600	-	-	-	-	-	-	500	500	-	-	1,100	1,100
Facility rental expenses	1,637	-	-	-	-	-	-	-	-	-	-	-	1,637	-
	<u>404,995</u>	<u>381,837</u>	<u>-</u>	<u>-</u>	<u>6,956</u>	<u>10,039</u>	<u>738</u>	<u>168</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>413,189</u>	<u>392,544</u>
Excess revenue over expenditures (expenditures over revenue) for the year	<u>\$ (4,423)</u>	<u>\$ (5,719)</u>	<u>\$ 5,275</u>	<u>\$ 6,179</u>	<u>\$ 4,967</u>	<u>\$ 6,445</u>	<u>\$ 21,912</u>	<u>\$ (168)</u>	<u>\$ (274)</u>	<u>\$ (340)</u>	<u>\$ 6,893</u>	<u>\$ -</u>	<u>\$ 34,350</u>	<u>\$ 6,397</u>

(See Accompanying Notes to the Financial Statements)

Gallery Stratford
Statement of Cash Flows
For the year ended December 31, 2017

	2017	2016
Cash Provided By (Used In):		
Operating Activities		
Excess revenue over expenditures for the year	\$ 34,350	\$ 6,397
Net changes in non-cash current operating accounts		
Decrease (increase) in accounts receivable	(3,638)	(4,237)
Decrease (increase) in HST receivable	(266)	784
Decrease (increase) in prepaid expenses	1,495	(939)
Increase (decrease) in deferred revenue	7,201	14,196
Increase (decrease) in accounts payable		
and accrued liabilities	(2,118)	1,495
Increase (decrease) in payroll remittances payable	(234)	1,042
Increase (decrease) in HST payable	(960)	960
Increase (decrease) in deferred share donation		
revenue	<u>827</u>	<u>2,443</u>
	\$ 36,657	<u>22,141</u>
Investing Activities		
Purchase of permanent collection	<u>(22,650)</u>	<u>-</u>
Increase in cash and cash equivalents	14,007	22,141
Cash and cash equivalents - beginning of year	<u>164,641</u>	<u>142,500</u>
Cash and cash equivalents - end of year	\$ <u>178,648</u>	\$ <u>164,641</u>
Cash and cash equivalents consist of cash on hand and balances with bank. Cash and cash equivalents comprise the following balance sheet amounts:		
Cash in bank	156,816	143,636
Investments	<u>21,832</u>	<u>21,005</u>
	\$ <u>178,648</u>	\$ <u>164,641</u>

Gallery Stratford
Notes to the Financial Statements
For the year ended December 31, 2017

1. Purpose

The purpose of the Gallery is to foster and encourage within the community the appreciation of works of art, to acquire a collection of works of art for the enjoyment of the public, to educate through the instruction of visual arts and to award scholarships to young artists in the community. The Gallery is a registered charity and, thus, not subject to income tax.

2. Fund Accounting

The Gallery uses fund accounting in these financial statements. The purpose of each individual Fund is as follows:

- (a) Operating General Fund: to administer the day to day transactions of the Gallery.
- (b) Endowment Fund: to deliver monies to the Gallery as earned for the purposes of fulfilling its charitable activities.
- (c) Nevada Fund: to raise monies from the sale of Nevada tickets to assist in the funding of the organization's charitable activities.
- (d) Permanent Collection Fund: to administer permanent works of art either donated to or purchased by the Gallery.
- (e) Ela Moll Fund: to award scholarships to deserving students in the field of the Arts.
- (f) Glenn Elliott Fund: to award scholarships to deserving students in the field of the Arts.

3. Summary of Significant Accounting Policies

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

- (a) Capital Expenditures
Property, plant and equipment are recorded at cost and are not being amortized over their estimated useful life. This is not in accordance with Canadian accounting standards for not-for-profit organizations.
- (b) Permanent Collection Fund, Works of Art
Works of art are valued at either cost or appraised value. Purchased works of art are stated at cost. Donated works of art are stated at their appraised value at the time of donation. Works of art that are on permanent loan in the collection are not valued in the Permanent Collection Fund.
- (c) Fund Raising and Earned Revenue
Total direct expenses related to both fund raising and earned revenue activities are described in Schedule 1 and Schedule 2, respectively. These represent only the expenses that can be directly attributed to the events. There is no charge for administrative costs due to the difficulty in properly allocating certain costs.
- (d) Revenue Recognition
Revenue is recognized when the requirements for the sale of the goods or services are met and ultimate collection is reasonably assured.

Gallery Stratford
Notes to the Financial Statements
For the year ended December 31, 2017

3. Summary of Significant Accounting Policies (continued)

(e) Investments

Available-for-sale financial assets, comprised principally of marketable equity securities, are investments that are quoted in an active market and are not actively being traded. All Operating General Fund investments are classified as available-for-sale because the Gallery does not intend to trade the investments for short-term profit making. Any increase or decrease in the market value of the Operating General Fund investments is deferred in the current year. The quoted market price was used to determine the fair value of the Operating General Fund financial instruments held as investments. This deferral is not in accordance with Canadian accounting standards for not-for-profit organizations.

(f) Use of Estimates

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenses. Due to measurement uncertainty, results could differ from those estimates.

(g) Financial Instruments

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

4. Deferred Revenue

Deferred revenue represents funding received from organizations for the 2017 year that are to be disbursed in a future period. These funds are to be used for educational, exhibition programs, resource development and visibility purposes.

Deferred revenue for the year end is composed of the following:

	2017	2016
Ontario Arts Council	\$ 25,318	\$ 34,350
Trillium Grant	-	6,100
New Horizons for Seniors	32,145	13,611
Canada Museum Association - Employment Grant	<u>4,800</u>	<u>-</u>
Total public sector deferred grants	62,263	54,061
Foundations grant	3,000	-
Permanent Collections	3,025	3,025
Open Studio/Art Classes	6,550	8,550
Auction tickets and other	<u>-</u>	<u>2,001</u>
	<u>\$ 74,838</u>	<u>\$ 67,637</u>

Gallery Stratford
Notes to the Financial Statements
For the year ended December 31, 2017

5. Public Sector Grant Revenue

Total public sector grants awarded during the year consist of:

	2017	2016
Federal Government - Employment Grant	\$ 23,940	\$ 10,998
Provincial Government - Employment Grants	2,979	5,750
Ontario Arts Council	59,668	68,000
Municipal Government - City of Stratford	43,000	43,000
Canada Museum Association - Employment Grant	21,274	7,742
Cultural Grant - Ontario	8,350	-
Ontario Trillium Foundation Grant	7,400	12,500
New Horizons for Seniors	38,211	32,673
Outreach Grants	<u>-</u>	<u>9,600</u>
	<u>\$ 204,822</u>	<u>\$ 190,263</u>

The New Horizons for Seniors grant represents monies received in 2017 to be spent on Senior programs. As at December 31, 2017, \$ 32,145 has been deferred to properly match the grant revenue with the appropriate expenditures.

The above Public Sector Grant Revenue is categorized for financial statement purposes as follows:

	2017	2016
Public sector grant revenue	\$ 142,559	\$ 136,202
Deferred public sector grants (Note 4)	<u>62,263</u>	<u>54,061</u>
	<u>\$ 204,822</u>	<u>\$ 190,263</u>

6. Educational Programs

Educational program revenue and expense is composed of:

	2017	2016
Stratford Perth Community Foundation	\$ 1,000	\$ -
School workshops, including school board funding	9,158	509
Summer programs including Arts Alive	56,606	58,913
Art classes and open studio	36,229	39,024
Tour groups	3,130	2,210
Outreach programs	<u>2,213</u>	<u>1,947</u>
	<u>108,336</u>	<u>102,603</u>
Less: Specific direct program expenses	40,300	33,473
Fees to artist educators	<u>10,238</u>	<u>16,193</u>
	<u>50,538</u>	<u>49,666</u>
	<u>\$ 57,798</u>	<u>\$ 52,937</u>

Indirect expenses, including administrative wages and overhead, have not been allocated to the educational expenses.

Gallery Stratford
Notes to the Financial Statements
For the year ended December 31, 2017

7. Donated Services

Donated services by volunteers are not recognized in the financial statements due to the inherent difficulty of valuation. Volunteers assist Gallery Stratford in carrying out all aspects of operations.

Donated services by organizations are also not recognized in the financial statements due to the inherent difficulty of valuation. The City of Stratford donates premise-related expenses including yard and building maintenance and snow removal. Gallery Stratford also receives media support from corporate organizations for fundraising and promotion.

8. Lease Commitments

The annual rent under a long-term property lease of \$ 1 is with the City of Stratford.

9. Endowment Fund

The Gallery Stratford entered into an endowment arrangement through the Ontario Arts Fund years ago. As a result of meeting specific criteria, the Gallery is entitled to income earned on designated endowment funds of \$ 91,126. During the year, \$ 5,275 (2016 - \$ 6,179) has been shown as interest income in the Endowment Fund.

10. Specific Grant Expenditures

New Horizons for Seniors: these monies were disbursed on education programs for seniors according to the terms of the grant application.

	2017
New Horizons for Seniors direct expenses	\$ 4,315
New Horizons for Seniors fees to artist educators	<u>1,751</u>
	<u>\$ 6,066</u>

Outreach programs: these monies were disbursed on outreach programs according to the terms of the grant application.

Outreach programs direct expenses	<u>\$ 2,363</u>
-----------------------------------	-----------------

11. Artist Exhibition Fee

Gallery Stratford provides artists with a platform to exhibit their art to a local and international audience. Exhibition fees paid by Gallery Stratford to these artists are included in Exhibition expense on the Statement of Operations and Changes in Fund Balance and totalled \$ 24,842 (2016 - \$ 15,638) for the year.

(Schedule 1)

Gallery Stratford
Schedule of Fund Raising Revenue and Expenditures
For the year ended December 31, 2017

	Movie Night	Other Fundraisers	Gallery Auction	Total
2017				
Total revenue (Note 3(c))	\$ 4,709	\$ 1,250	\$ 87,963	\$ 93,922
Total direct expenditures (Note 3(c))	<u>3,688</u>	<u>276</u>	<u>11,356</u>	<u>15,320</u>
Net Income	<u>\$ 1,021</u>	<u>\$ 974</u>	<u>\$ 76,607</u>	<u>\$ 78,602</u>
2016				
Total revenue (Note 3(c))	4,795	7,823	77,842	90,460
Total direct expenditures (Note 3(c))	<u>4,836</u>	<u>1,072</u>	<u>12,555</u>	<u>18,463</u>
Net Income	<u>\$ (41)</u>	<u>\$ 6,751</u>	<u>\$ 65,287</u>	<u>\$ 71,997</u>

(Schedule 2)

Gallery Stratford
Schedule of Earned Revenue and Expenditures
For the year ended December 31, 2017

	<u>Memberships</u>	<u>Gift Shop</u>	<u>Total</u>
2017			
Total revenue (Note 3(c))	\$ 13,560	\$ 597	\$ 14,157
Total direct expenditures including fees to artisans (Note 3(c))	<u>-</u>	<u>530</u>	<u>530</u>
Net Income	<u>\$ 13,560</u>	<u>\$ 67</u>	<u>\$ 13,627</u>
2016			
Total revenue (Note 3(c))	12,730	10,924	23,654
Total direct expenditures including fees to artisans (Note 3(c))	<u>-</u>	<u>6,222</u>	<u>6,222</u>
Net Income	<u>\$ 12,730</u>	<u>\$ 4,702</u>	<u>\$ 17,432</u>

(Schedule 3)

Gallery Stratford
Schedule of Operating Fund Expenditures
For the year ended December 31, 2017

	2017	2016
Administration		
Advertising	\$ 284	\$ 4,425
Audit and accounting	8,520	8,416
Bank charges	7,795	7,390
Insurance	11,990	11,344
Hospitality	1,579	1,010
Membership in professional organizations	1,759	1,152
Other expenses (recovery)	(181)	178
Office	5,279	3,723
Postage	1,284	1,125
Printing	45	-
Staff travel	1,587	1,122
Telephone and fax	2,249	1,888
Computer costs	<u>1,685</u>	<u>3,778</u>
	<u>\$ 43,875</u>	<u>\$ 45,551</u>
Premise Expenditures		
Public utilities	15,554	17,709
Supplies	1,309	4,720
Infrastructure	<u>2,805</u>	<u>-</u>
	<u>\$ 19,668</u>	<u>\$ 22,429</u>



Appeal re: 2019 Community Grant Decision

To: Finance & Labour Relations Sub-committee:

Tom Clifford, Dave Gaffney, Brad Beatty, Graham Bunting, Martin Ritsma

Thank you for this opportunity to register an appeal of the grant awarded to Music & Opera Appreciation (MOA). While we sincerely appreciate the allocation of \$800 to assist with the “Rising Stars Program”, we ask that you review the information below and consider providing an additional amount of \$750 for the remainder of 2019.

We have learned that our 2019 Community Grant request for additional funding should not have been listed as “in kind”. MOA wishes to pursue a request for funds to cover roughly 50% of the rental costs of Stratford’s City Hall Auditorium for presentations of HD Met Live Opera programs. MOA has already expended \$920.77 covering six of the 2019 programs (January – May). (see cost details in attached letter from Joan Thomson, City Clerk).

The rationale for this additional funding request is as follows:

- **Collaboration:** *Shared space and operations support* is widespread amongst non-profits with many examples of organizations joining under one roof, sharing services. www.thephilanthropist.ca Stratford Perth United Way is case in point. Gallery Stratford, who holds the TIFF film licenses collaborates with Queen of the Square. In our case, the collaboration is between MOA, Queen of The Square Cinema who provides the projection technology and the City of Stratford who provides the venue.

These cross-sectoral innovations are widely emerging among non-profits wherein partners create greater impact by strengthening the resiliency, connectedness and innovative capacity of their organizations. MOA’s collaboration with Stratford Summer Music is a case in point.

- **Benefits** to citizens of Stratford: the Canadian Index of Wellbeing (CIW) lists the top two most important of eight categories of “Quality of Life” measured are: *Vital Communities* and *Leisure and Culture Programming*. www.ciw.ca These quality of life aspects are thoughtfully developed and delivered by MOA programming in the “off-season”, in months devoid of our rich theatre and music programs, months that are typically challenging for seniors, single occupancy residents and for the rising number of employed individuals working from home, isolated from the support of the office environment. In January 2019, CBC *National* produced an excellent podcast titled “Loneliness: Society’s Silent Epidemic.”

<https://www.cbc.ca/news/thenational/loneliness-society-s-silent-epidemic-in-depth-1.4979928>

Bringing Stratford and region residents together in Stratford's beautiful City Hall auditorium to share the richness and joy of the world's greatest opera performances, on DVD presented *Live From the Met* in the world's largest opera house, helps to counteract such isolation.

We trust that the councillors on the Finance & Labour Committee will accept this appeal and award Music & Opera Appreciation the additional amount of \$750 to cover our fall programming support of Met Opera HD Live at Queen of the Square Cinema.

Yours sincerely,

Joanne McArthur
President, Board of Directors MOA

Assisted by Eleanor Kane, Volunteer, MOA



Corporate Services Department
Clerk's Office
 CITY of STRATFORD
 City Hall, P.O. Box 818
 Stratford ON N5A 6W1

519-271-0250 Ext. 237
 Fax: 519-273-5041
 TTY: 519-271-5241
www.stratfordcanada.ca

September 28, 2018

Music & Opera Appreciation
 1144 Ontario Street
 Stratford ON N5A 6W6

Dear Ms. Steed Young:

Re: Stratford City Hall Auditorium Rental

We acknowledge receipt of your rental application for use of the City Hall auditorium on the below-noted dates. The auditorium will be set up according to your instructions.

- | | |
|------------------------------|--|
| • Saturday October 20, 2018 | • Saturday January 12, 2019 \$151.88 3hrs |
| • Saturday November 3, 2018 | • Saturday February 2, 2019 \$161.37 4.25hrs |
| • Saturday December 8, 2018 | • Saturday March 2, 2019 \$151.88 3.5 hrs |
| • Sunday December 23, 2018 | • Saturday March 30, 2019 \$151.88 3.5 hrs |
| • Saturday December 15, 2018 | • Saturday April 20, 2019 \$151.88 |
| | • Saturday May 11, 2019 \$151.88 = \$920.77 |

We acknowledge receipt of your deposit of \$127.75. The balance of the rental will be invoiced following each event. Please note that rental fees for the events taking place in 2019 are under review and are also subject to the Costumer Price Index increase.

Please provide a copy of the certificate of insurance.

Enclosed is your copy of the executed contract.

If you have any questions, please contact Danielle Clayton at 519-271-0250, Ext. 239.

Yours truly,

Joan Thomson
 City Clerk
 Encl.

cc: Tom Ball
 Kirstin Riddell

Scheduled dates of City Hall auditorium rentals for Fall and Winter MOA series.
 MOA notes: City Hall has yet to provide an invoice for final 2 dates in the Winter series - April 20 and May 11.

From: CommunityGrantApplicationForm@stratford.ca
To: musicandopera15@gmail.com
Cc: [Wendy Partridge](#)
Subject: Thank you for your response to Community Grant Application Form
Date: November-25-18 11:06:05 AM

Hello,

Thank you for your response to Community Grant Application Form submitted at Sunday November 25th 2018 11:05 AM with reference number 2018-11-25-001.

- **Amount requested for this grant:**

\$2,300

- **Please explain how your activity or service will specifically benefit the residents of Stratford:**

The grant will support cultural programming that is known to enhance the quality of life of Stratford residents during shoulder seasons when Festival activities are not available. It is well known that such cultural activities create joy, happiness and well-being; the MOA program brings people together in a stimulating atmosphere, one that counteracts the isolation and loneliness that often accompanies ageing. MOA programming is a perfect example of "Third Age Learning", where seniors engaged in the love of learning also share the companionship of others, counteracting the effects of social isolation.

MOA Fees are deliberately set low to allow anyone in our Stratford community, who is interested, to attend. Some patrons who experience our programming often donate generously to support the MOA series.

- **Please indicate how the grant funds will be used:**

Grant funds will offset some of the costs of MOA's "Rising Stars" program, a collaboration with Stratford Summer Music that provides a portion of tuition costs for vocalists in SSM's Vocal Academy. MOA also helps to provide accommodation for these young artists.

- **If you are requesting an in-kind grant, please list the in-kind services being requested and provide costing(s) from the appropriate City department(s) to support amount being requested above:**

In-Kind Grant support will offset the rental of the City Hall Auditorium for 10 programs presented by Queen of the Square Cinema. Stratford residents unable to attend our Tuesday afternoon Music and Opera programs due to work commitments can take advantage of the

Saturday Met Live screenings.

Costing: Rental at \$150 (approx.) per screening for 10 Met Live programs = \$1,500

Attached PDF of 2018 costing

- **Organization name:**
Music & Opera Appreciation Inc.
- **Contact Name:**
Joanne McArthur
- **Mailing Address:**
P.O. Box 21060
Stratford, ON
N5A 7V4
- **Telephone Number:**
(226) 921-0082
- **Email:**
musicandopera15@gmail.com
- **Website:**
www.musicandopera.weebly.com
- **Briefly state your organization's missions/goals:**
To excite, educate and entertain people interested in the musical arts including those individuals with little background in music. To reach this goal MOA offers a series of afternoon programs over the fall and winter months, with lectures, DVD opera presentations and a few live performances. These programs provide intellectual and emotional stimulation and an enriched quality of life.
- **Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) :**
 1. [MOA Organizational Structure 2019.docx \[12.8 KB\]](#)
- **Number of Volunteers:**
15

Does the organization operate as a not-for-profit?

Yes

- **Is the organization incorporated?**

Yes

- **If yes, please provide Date of Incorporation;**

11/10/2003

- **Does the organization have charitable status?**

Yes

- **If yes, please provide charitable number:**

862037207RR001

- **Are fees charged for membership or for any of the services/activities you provide?**

Yes

- **If yes, please explain:**

Subscription for either the Fall or Winter series are \$50 per series of 6 sessions. Attendance at individual sessions is \$10 per session. The fees have been deliberately set low to encourage anyone, regardless of financial circumstances, to attend. Along with a wonderful afternoon of music, attendees are provided tea, coffee and cookies at no charge.

- **Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities?**

Yes

- **If yes, please explain:**

A small cohort of attendees from St. Marys are loyal supporters of MOA. It was 24 years ago that the Music & Opera Appreciation program was founded by St. Marys resident, John Leberg. Mr. Leberg may be best known as Director of Operations at the Canadian Opera Company (COC); it was Leberg who brought the "surtitle" technology to the COC performances in 1983.

- **Website link to program details:**

www.musicandopera.weebly.com

- **Otherwise, please attach supporting information to illustrate your organization's programs and activities, and how they**

meet the Community Grants Program eligibility criteria:

1. [Winter 2019 Media Release-2.docx \[584.5 KB\]](#)
- **Most recent year-end financial statements**
 1. [Audited Statement 2017r.pdf \[205.8 KB\]](#)
 - **Budget for the year in which the funds are being requested:**
 1. [Proposed 2019 Budget.xlsx \[19.4 KB\]](#)
 - **Please indicate separately any funding requested or received from other levels of government and other agencies, and the status of each application. Please state None if applicable.**

None
 - **Full name:**

Eleanor Kane
 - **Position:**

Volunteer
 - **Application Date:**

11/25/2018

[This is an automated email notification -- please do not respond]

List of MOA Organizational Structure 2019

ARTISTIC LEADER: BARBARA STEED YOUNG - Honorarium \$6,000 per year

Board of Directors

President: Joanne McArthur Secretary: Dorothy Knight

Treasurer: Karen Mychayluk Assistant Treasurer: Peter Fischer

Sponsorship Chair: Guy Chadsey

Members at Large: Kelly Walker, Jan Hill

Committees

Technical Set up & Support: John Lederman - Honorarium \$500 per year

Sponsorship Committee: Guy Chadsey (Chair), Eleanor Kane, Barbara Steed Young

Fund Raising & Grants: Eleanor Kane, Joanne McArthur, Susan Tamblyn, Barbara Steed Young, Ann Reynolds

Design, Marketing & Webmaster: David Beattie

Newsletter & Database: Bruce Wilkinson, Joanne McArthur

Social Media: Eleanor Kane, Dorothy Knight

Volunteer Committee: Sandra Graff (Chair),

Nominating Committee: Guy Chadsey, Eleanor Kane

Finance Committee: Karen Mychayluk (Chair), Peter Fischer, Joanne McArthur

Bylaw and Policy Committee: Susan Tamblyn (Chair)



Music & Opera Appreciation announces its 25th Winter season.

"We live in this world in order always to learn industriously and to enlighten each other by means of discussion and to strive vigorously to promote the progress of science and the fine arts."

Wolfgang Amadeus Mozart

Music & Opera Appreciation is pleased to announce the **2019 Winter Series** created by Barbara Steed Young, our artistic leader.

Audiences can expect six weeks of stimulating programming presented on Tuesday afternoons from 1:30 to 3:30 in the Guthrie Room at the Festival Inn in Stratford.

The 2019 Winter Series, with the theme EARTH, continues with the Elements of Nature. The works being presented have been created, and chosen to show here, because of the human drive to migrate over the Earth, driven by motivations ranging from privation, to curiosity, to a quest for freedom.

We start the series **Jan. 8** with *Shadows in Paradise*, a documentary about Hitler's exiles in Hollywood. By 1939, 30,000 intellectuals and artists were either exiled from, or chose to leave Europe. Those dramatic events in Europe sent many of the greatest minds of the 20th century into exile in the United States. The manna of creative intensity that hovered over Berlin in the 20's, in music, art, theater and film, that glow of aesthetic productivity, was extinguished there. Los Angeles in the 30's and early 40's may be seen as its afterglow... when many of the immigrants, fleeing the upsurge of European fascism, briefly transformed Southern California and America into one of the capitals of world culture.

On Jan. 15, Loreena McKennitt will introduce her concert *Nights from the Alhambra* recorded live in the Medieval Moorish palace in Granada, Spain, where the Moors settled and ruled between the early 8th and late 15th centuries. This concert is an outstanding celebration of mixed cultures reflected in the music and instruments, which include the oud, lyra, tabla, Celtic Bouzouki, Uilleann pipes, bodhrán, hurdy gurdy, kanoun, accordion, harp, piano, percussion, strings, guitar and electric bass.

Jan. 22 and Jan. 29, we continue in Spain with Rossini's opera buffa, *The Barber of Seville* (1819). Here we see the influence of Italian opera with its *commedia del arte* traditions blended with the Spanish emphasis on rhythm and form. The result is laughter and vocal acrobatics! The opera is sung in Italian with English surtitles.

Feb. 5 and 12, we look at the opera, *Die Tote Stadt (The Dead City)* written by the 23 year-old German exile, Erich Wolfgang Korngold. It is in the style of late romanticism and received its premiere in the wake of WW I. The opera represents a renewal of life and hope through the redemption of its conflicted anti-hero. The opera is sung in German with English surtitles.

These engaging, stimulating afternoon programs are informal, entertaining, charming and educational in the best sense. They are enhanced by refreshments and congenial conversation during the break.

Those interested in MOA travel far and wide: from St. Marys, Kitchener, Waterloo, London, Brantford, and even Toronto to Stratford for the fall and winter sessions. All are welcome. Entrance is \$10 per session, or a \$50 subscription for all six dates.

Visit our website for details at www.musicandopera.weebly.com.

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MUSIC AND OPERA APPRECIATION INC.
PROPOSED 2019 BUDGET

	2019		2018		2017 Actual	
<u>REVENUE</u>						
Subscription Fees	4000.00		4000		4450	
Day Ticket ets	4000.00		4000		4025	
Donations / Grants	3000.00		3000		3828	
Program Sponsors	3000.00		2700		4250	
Door Prize Proceeds	800.00		500		1013	
GST/HST Refund	800.00		500		1768	
Annual Lunch	500.00		500		580	
Special Events			1500		100	
Plus/Minus		3600.00		3150.00		
Float	200.00		200		200	
Total Revenue	16300.00	16100.00	16900.00	16900.00	20214.00	20214.00
<u>EXPENDITURES</u>						
Rental	3100.00		3100		2745	
Coffee	2200.00		2000		2103	
Supplies/Materials/Admin	500.00		500		507	
Advertising	1000.00		3000		1918	
Audit	1000.00		900		904	
Printing	1000.00		1000		678	
Insurance	300.00		300		143	
Postage	50.00		50		0	
Float	200.00		200		200	
Artistic Leader Honorarium	6000.00		6000		5000	
Technical Support	500.00		500		250	
Special Events					2	
Stratford Summer Music	1000.00		1000		1500	
Kiwanis Music Festival	500.00		500		0	
Met Operal	1500.00		0		1413	
Honorariums Guest Presenters	600.00		600		1050	
Annual Meeting	450.00		400		352	
Total Expenditures	19900.00	-19700.00	20050.00	-20050.00	18765.00	-18765.00
		0.00		0.00		1449.00

MUSIC AND OPERA APPRECIATION INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017

Famme & Co.

Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS

JEFFREY R. SKUBOWIUS, BA, CPA, CA
 FRANKLIN H. FAMME, BBA, CMgr, CPA, CA
 BRADLEY J. W. McNEIL, BA, MAcc, CPA, CA
 STEPHEN VAN DEN HENGEL, BAcc, CPA, CA
 PETER D. BRICKMAN, BA, CPA, CA
 STEPHEN J. WARD, BA, MAcc, CPA, CA
 LYNN EIDT, BBA, CPA, CA
 MICHAEL P. B. JAREMCHENKO, BA, CFP, CPA, CA
 PHILLIP W. HART, BMath, MAcc, CPA, CA

199 ELGIN STREET EAST
 P.O. BOX 1228
 ST. MARYS, ONTARIO N4X 1B8

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FAX	519-284-4393
STRATFORD	519-271-7581
FAX	519-271-2737
LONDON	519-432-1663
FAX	519-432-7662

E-MAIL: st.marys@fammeandco.on.ca
 WEBSITE: www.fammeandco.on.ca

INDEPENDENT AUDITORS' REPORT

To the Members of
 Music and Opera Appreciation Inc.
 Stratford, Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of **Music and Opera Appreciation Inc.**, which comprise the balance sheet as at **December 31, 2017** and the statements of operations, surplus 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT - continued

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives cash revenue, 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 the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and surplus as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

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 **Music and Opera Appreciation Inc.** as at **December 31, 2017** 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.

Famme & Co.

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

St. Marys, Ontario
February 6, 2018

Music and Opera Appreciation Inc.
Balance Sheet
As at December 31, 2017

ASSETS

	2017	2016
Current Assets		
Cash in bank	\$ 12,488	\$ 21,182
Prepaid expenses	143	232
HST receivable	<u>-</u>	<u>672</u>
	\$ 12,631	<u>22,086</u>
Investments - at fair market value		
BMO Cashable RateRiser GIC, 8%, annual compound, due January 13, 2020	<u>10,077</u>	<u>-</u>
	<u>\$ 22,708</u>	<u>\$ 22,086</u>

LIABILITIES

Current Liabilities		
Accounts payable	500	500
Deferred revenue	<u>2,016</u>	<u>2,410</u>
	2,516	<u>2,910</u>

SURPLUS

Surplus	<u>20,192</u>	<u>19,176</u>
	<u>\$ 22,708</u>	<u>\$ 22,086</u>

Approved on Behalf of the Board:


Director *PRESIDENT*

Director

(See Accompanying Notes to the Financial Statements)

Music and Opera Appreciation Inc.
Statement of Surplus
For the year ended December 31, 2017

	2017	2016
Balance - beginning of year	\$ 19,176	\$ 19,162
Excess of revenue over expenditures for the year	<u>1,016</u>	<u>14</u>
Balance - end of year	\$ <u>20,192</u>	\$ <u>19,176</u>

(See Accompanying Notes to the Financial Statements)

Music and Opera Appreciation Inc.
Statement of Operations
For the year ended December 31, 2017

	2017	2016
Revenue		
Subscriptions	\$ 4,550	\$ 4,150
Day tickets	4,025	4,890
Grants	700	700
Donations	2,923	2,038
Sponsorships	4,750	4,432
Fundraising	1,013	1,281
Interest	77	-
Miscellaneous	<u>1,776</u>	<u>1,292</u>
	\$ 19,814	<u>18,783</u>
Expenditures		
Rental	2,745	2,746
Events and meetings	2,962	2,538
Advertising and promotion	1,918	1,535
Audit	904	858
Printing	767	804
Artistic leader	5,000	5,000
Honorarium	1,050	1,000
Insurance	286	286
Bank charges and interest	3	2
Scholarship	1,500	4,000
Sponsorship	1,413	-
Technical support	<u>250</u>	<u>-</u>
	<u>18,798</u>	<u>18,769</u>
Excess of revenue over expenditures for the year	<u>\$ 1,016</u>	<u>\$ 14</u>

(See Accompanying Notes to the Financial Statements)

Music and Opera Appreciation Inc.
Statement of Cash Flows
For the year ended December 31, 2017

	2017	2016
Cash Provided By (Used In):		
Operating Activities		
Excess of revenue over expenditures for the year	\$ 1,016	\$ 14
Net changes in non-cash current operating accounts		
Decrease (increase) in HST receivable	672	(672)
Decrease (increase) in prepaid expenses	89	36
Increase (decrease) in deferred revenue	<u>(394)</u>	<u>1,655</u>
	\$ 1,383	<u>1,033</u>
Investment Activities		
Purchase of BMO GIC	<u>(10,077)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(8,694)	1,033
Cash and cash equivalents - beginning of year	<u>21,182</u>	<u>20,149</u>
Cash and cash equivalents - end of year	<u>\$ 12,488</u>	<u>\$ 21,182</u>
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:		
Cash in bank	<u>\$ 12,488</u>	<u>\$ 21,182</u>

(See Accompanying Notes to the Financial Statements)

Music and Opera Appreciation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

1. Purpose of the Organization

The purpose of the organization is to educate and increase the public's understanding and appreciation of the arts.

The organization is a registered charity which is not taxable under Section 149(1)(f) of the Income Tax Act and may issue income tax receipts to donors.

2. Accounting Policies

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

(a) **Revenue Recognition**

Revenue is recognized when the cash has been received for the sale of tickets, subscriptions, donations and collection is therefore reasonably assured. Deferred revenue represents donation, subscription fee and concert revenue to be recognized in the upcoming year.

(b) **Capital Expenditures**

Under Canadian accounting standards for not-for-profit organizations, purchases of a capital nature are recorded as property, plant and equipment and amortized over their useful life. However, an acceptable alternative for non-profit and charitable organizations with revenue under \$ 500,000 is to show the purchases of property, plant and equipment as an expenditure in the year in which they are incurred. Music and Opera Appreciation Inc. has adopted this alternative.

(c) **Use of Estimates**

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenue and expenditures. Due to measurement uncertainty, results could differ from those estimates.

(d) **Financial Instruments**

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Music and Opera Appreciation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

3. Contributed Services

Volunteers contribute a significant number of hours each year to assist the organization in carrying out the service delivery activities. Because of the difficulty of determining their fair market value, such contributed services are not recognized in the financial statements.

4. Incorporation

On November 3, 2003, the organization incorporated as a corporation without share capital in order to qualify for funding from government initiatives and to issue charitable donation receipts for qualifying gifts.



RECEIVED
CITY OF STRATFORD
APR 29 2019
DIRECTOR OF CORPORATE
SERVICES OFFICE

April 26, 2019

To the Finance & Labour Relations Sub-Committee:

The Stratford Blues and Ribfest is a not for profit organization and are registered with both the Federal and Provincial Government.

We have maximized our revenue from our vendors and ribbers with the venue space provided.

The net income shown of \$6,822.00 on our income statement was used as a security deposit for our headlining entertainment for 2019.

Due to the average attendance we have had in previous years we are expecting 20,000 – 24,000 attendees over the three days.

With this amount of expected people a growth would be realized for all businesses in Stratford.

There are no pre-sold admission tickets; admission is by donation only.

Grant money received is used for our capital expenses. At our year end of 2018 we had a small surplus. Our mission statement is to give back to the Community by helping musical programs.

Our reasoning for asking for an increase in the City's grant is that there is more costs involved for our entertainment. We have confirmed the entertainment of the Last Waltz Celebration Band also the Inspired by Janis Band which both are part of our theme for this year as we are paying tribute to internationally known Stratford musicians Richard Manual and John Till.

Event production costs, security, electrical hookups, tents, accessibility washroom facilities and all media promotional expenses have all increased.

The Committee is made up of volunteers who depend on the generosity of the City's grant program and sponsorships through small businesses within the City of Stratford and surrounding area for financial support to have a successful family event.

We wish to be present as a delegation when our appeal is re-considered by the Committee.

Sincerely,

2019 Stratford Blues and Ribfest Committee

From: CommunityGrantApplicationForm@stratford.ca
To: barbsmith@cyg.net
Cc: [Wendy Partridge](#)
Subject: Thank you for your response to Community Grant Application Form
Date: November-17-18 10:37:10 AM

Hello,

Thank you for your response to Community Grant Application Form submitted at Saturday November 17th 2018 10:36 AM with reference number 2018-11-17-001.

- **Amount requested for this grant:**

\$10,000

- **Please explain how your activity or service will specifically benefit the residents of Stratford:**

Our plan for the 10th Anniversary of the Stratford Blues & Ribfest is to work to-gether with the Stratford Perth Museum, Stratford Tourism and Ontario Pork Congress. We are paying tribute to Stratford artists Richard Manuel and John Til, who performed at the Woodstock Music Festival in August 1969. (50 years ago)

It will be a full weekend of great music, food and vendors for the residents of Stratford and area to enjoy.

- **Please indicate how the grant funds will be used:**

Grant money will be used to assist with performing artists, sound, tent rental, washrooms, security, insurance and advertising.

We have added Dayna Manning as our Youth Director of Music for our youth program.

As it is the 10th Anniversary, we are in negotiations with The Last Waltz Celebration Band which will also pay tribute to Richard Manuel who was a Stratford resident and member of "The Band."

- **If you are requesting an in-kind grant, please list the in-kind services being requested and provide costing(s) from the appropriate City department(s) to support amount being requested above:**

We are not requesting an in-kind grant, but certainly appreciate the support of City staff from Corporate Services, Community Services, Infrastructure & Development and Building & Planning Departments for all of their assistance in previous years. We look forward to working to-gether again in 2019.

- **Organization name:**

Stratford Blues & Ribfest

- **Contact Name:**

Barb Smith

- **Mailing Address:**

[REDACTED]

- **Telephone Number:**

[REDACTED]

- **Fax Number:**

--

- **Email:**

[REDACTED]

- **Website:**

www.stratfordbluesandribfest.ca

- **Briefly state your organization's missions/goals:**

Our Committee is comprised of local professionals working to-gether with the Ontario Pork Congress to provide a sustainable Community Festival celebrating music, arts and Ontario Pork.

Our goal is to promote local talent and to expand and encourage an appreciation for music.

- **Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) :**

1. [Stratford Blues & Ribfest Committee 2019.pdf \[69.6 KB\]](#)

- **Number of Volunteers:**

50

- **Does the organization operate as a not-for-profit?**

Yes

- **Is the organization incorporated?**

No

- **Does the organization have charitable status?**

No

- **Are fees charged for membership or for any of the services/activities you provide?**

No

- **Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities?**

Yes

- **If yes, please explain:**

Some members of our committee are not residents of the City of Stratford, but play a very large part in contributing to the success of the Blues & Ribfest.

- **Website link to program details:**

www.stratfordbluesandribfest.ca

- **Otherwise, please attach supporting information to illustrate your organization's programs and activities, and how they meet the Community Grants Program eligibility criteria:**

- **Most recent year-end financial statements**

1. [BS OCT24.18.pdf \[41.9 KB\]](#)
2. [IS OCT24.18.pdf \[46.4 KB\]](#)

- **Budget for the year in which the funds are being requested:**

1. [Budget for 2019 Year.pdf \[193.2 KB\]](#)

- **Please indicate separately any funding requested or received from other levels of government and other agencies, and the status of each application. Please state None if applicable.**

None.

- **Please provide any additional comments you have here regarding your 2019 grant application:**

Our sources of revenue are determined by sponsorships, gate donations, rib and booth vendors.

In 2018, a raffle was held which profited an additional \$1,000.

A donation of \$500 has been given to the music department of each of the three high schools, Stratford Northwestern, Stratford Central & St. Michael's Catholic Secondary Schools to help promote their music programs.

- **Full name:**
Barb Smith
- **Position:**
Committee Member
- **Application Date:**
11/17/2018

[This is an automated email notification -- please do not respond]

Stratford Blues & Ribfest – 2019 Committee

Steve Toman – Chair / Musical Director / Sponsorship

Dayna Manning – Youth Musical Director

Barb Smith – City Applications / Sponsorship

Roger & Maddi Howson – Bar Co-ordinators / Sponsorship

Pam Toman – Financial Administration / Sponsorship

Vic Smith / Roger Howson – Vendor Co-ordinators

Tina Groenestege - Sponsorship Co-ordinator

Randy Huitema – Media / Sponsorship

Joe Dwyer – Ontario Pork Congress Rep / Sponsorship

Sandra Morris – Volunteer Co-ordinator / Sponsorship

Jeremy Cairns – Stage Manager

Kirk Dallaire - Sponsorship

There are no paid positions on the Committee.

Stratford Blues & Ribfest

Balance Sheet As at 10/24/2018

ASSET

CURRENT ASSETS

Cash on Hand	24.31
TD Bank	16,616.21
PayPal Account	4.90
TD Bank - Lottery Account	950.59
TD SAVINGS - BANK OPENED I...	0.00
Accounts Receivable	1,000.00
Prepaid Expenses	0.00

TOTAL CURRENT ASSETS	<u>18,596.01</u>
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TOTAL ASSET	<u><u>18,596.01</u></u>
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LIABILITY

CURRENT LIABILITIES

Accounts Payable	0.00
Refundable Deposits -RF Vendors	0.00
Advance to Next Year	0.00
Loan Payable - Herb	0.00
Loan Payable - Stew	8,000.00
Loan Payable - Kim	0.00
Advance from Kinsmen Club	0.00
Loan - Roger Howson	8,927.91
HST Charged	4,580.90
HST Paid Out	<u>-4,214.41</u>
HST Payable (Refundable)	366.49

TOTAL CURRENT LIABILITIES	<u>17,294.40</u>
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TOTAL LIABILITY	<u>17,294.40</u>
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EQUITY

EQUITY

Surplus	-4,879.18
Current Earnings	6,180.79

TOTAL EQUITY	<u>1,301.61</u>
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TOTAL EQUITY	<u>1,301.61</u>
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LIABILITIES AND EQUITY	<u><u>18,596.01</u></u>
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Stratford Blues & Ribfest

Income Statement 01/01/2018 to 10/24/2018

REVENUE

REVENUE

Trillium Foundation	0.00	
Celebrate Ontario	0.00	
City of Stratford	4,000.00	
Government Funding		4,000.00
Sponsors	15,133.70	
Sponsors -Memorial	2,252.00	
Total Sponsorship Revenue		17,385.70
Bar Revenue		25,137.61
Raffles	1,731.00	
Memorabilia	0.00	
Total Souvenir Sales		1,731.00
Band Shell Gate Donations	4,079.06	
BBQ Competition	400.00	
Tickets - Festival Pass	0.00	
Total Tickets Revenue		4,479.06
Rib & Food Vendors	6,900.00	
Booth Vendors	2,800.00	
Total Vendor Revenue		9,700.00
Interest Earned		0.02
TOTAL REVENUE		62,433.39
TOTAL REVENUE		62,433.39

EXPENSE

EXPENSES

International Entertainment-Rotary	0.00	
International Entert -Band Shell	12,850.00	
International Entert.-Stage 3 HH	0.00	
National Entertainment-Stage 1	0.00	
National Entertainment-Stage 2 TE	0.00	
National Entertainment-Stage 3	0.00	
Entertainment- Rooms and Riders	0.00	
Local Entertainment-Stage 2 TE	0.00	
Local Entertainment-Stage 3- RIBS	0.00	
Stage/Sound/Lights/Production 1 ...	6,500.00	
Stage/Sound/Lights/Production -TE	0.00	
Stage/Sound/Lights/Prod. 3 HH	0.00	
Stage & Sound Equipment-Docu...	0.00	
Socan Fees	391.50	
Total: Entertainment Costs		19,741.50
Security - Venue 1 -BS	5,544.00	
Security - Venue 2	0.00	
Security - Stage 3 HH	0.00	
Fencing - Venue 1-BS	200.00	
Fencing - Venue 2	0.00	
Total: Security & Fencing		5,744.00
Tent Rental - Venue 1 -BS	3,992.27	
Tent Rental - Venue 2	0.00	
Tent Inspection - Venue 1	0.00	
Tent Inspection - Venue 2	0.00	
Tent Engineer - Venue 1	0.00	
Tent Engineer - Venue 2	0.00	
Chairs & Tables - Venue 1	0.00	
Chairs & Tables - Venue 2	0.00	
Chairs & Tables - Venue 3 HH	0.00	
Total: Tent & Amenities		3,992.27
Bar Licencing & Permits	907.39	
Bar Supplies	11,816.55	
Total: Bar Costs		12,723.94
Insurance		2,106.00

Stratford Blues & Ribfest**Income Statement 01/01/2018 to 10/24/2018**

PR Costs	1,651.26	
Social Media	0.00	
Website	329.97	
Print Materials	310.50	
Air Media	0.00	
Online Ads	0.00	
Postage & Office Supplies	0.00	
Membership Dues	275.00	
Bank S/C	105.25	
Total: Advertising & Promotional		2,671.98
Washroom Rentals - Venue 1	2,980.00	
Washroom Rentals - Venue 2	0.00	
Garbage Removal	98.07	
Waste Water Removal	0.00	
Hydro - Venue 1	4,600.00	
Hydro - Arena BR	0.00	
Hydro - Venue 2	0.00	
Total: Sanatation & Utilities		7,678.07
Rib Sauce Purchases	0.00	
Memorabilia Purchases	0.00	
Total Souvenir Expenses		0.00
Lottery Licencing	250.50	
Lottery Printing & Cost	730.12	
Lottery Payout	573.00	
Lottery Account Bank Charges	41.22	
Total Lottery Costs		1,594.84
Legal & Accounting Costs		0.00
Suspense		0.00
TOTAL EXPENSES		56,252.60
TOTAL EXPENSE		56,252.60
NET INCOME		6,180.79

Stratford Blues & Ribfest Budget for 2019 Year

	2019 Budget	
REVENUE		
REVENUE		
CORPORATE SPONSORS	5000.00	
City of Stratford	10000.00	
Government Funding		15000.00
Sponsors	18000.00	
Sponsors -MEMORIAL (2014 CORP)	1000.00	0
Total Sponsorship Revenue		19000.00
Bar Revenue		30000.00
RAFFLES (2015 WAS RIB SAUCE)	2500.00	
T-Shirts & Memorabilia		
Total Souvenir Sales		2500.00
Band Shell Gate Donations	6000.00	
BBQ Competition	500.00	
Total Tickets Revenue		6500.00
Rib & Food Vendors	7500.00	
Booth Vendors	3500.00	
Total Vendor Revenue		11000.00
Interest Earned		
TOTAL REVENUE		84,000.00
TOTAL REVENUE		84,000.00

EXPENSE		
EXPENSES		
Entertainment	20000.00	
Stage/Sound/Lights/Production	7500.00	
Socan Fees	610.00	
Total: Entertainment Costs		28110.00
Security - Venue	6000.00	
Fencing - Venue	1000.00	
Total: Security & Fencing		7000.00

Tent Rental - Venue 1 -BS	4500.00	
Total: Tent & Amenities		4500.00
Licences and Permits	1200.00	
Supplies and Purchases	13800.00	
Total: Bar Expenses		15000.00
Insurance		2300.00
PR Costs	2200.00	
Social Media	400.00	
Website	500.00	
Print Materials	1000.00	
Air Media	500.00	
Online Ads	500.00	
Postage & Office Supplies	500.00	
Membership Dues	350.00	
Bank S/C	140.00	
Total: Advertising & Promotional		6090.00
Washroom Rentals - Venue 1	3100.00	
Garbage Removal	200.00	
Hydro - Venue 1	5000.00	
Total: Sanatation & Utilities		8300.00
Lottery Licence		
Lottery Printing	400.00	
Lottery Payout	1250.00	
Lottery bank charges	60.00	
Pre-booking downpayments-future	7500.00	
Mission	3000.00	
Suspense		
Total Other Expenses		12210.00
TOTAL EXPENSES		83,510.00
TOTAL EXPENSE		83,510.00
NET INCOME		490.00



Mark Fewer,
Artistic Director

Judy Matheson,
General Manager

19 Waterloo Street S.
Post Office Box 1013
Stratford, Ontario
Canada N5A 6W4

Phone 519.271.2101
or 1.866.288.4313

April 16, 2019

Michael Humble
Director of Corporate Services
Stratford City Hall
P.O. Box 818
Stratford, N5A 6W1

RECEIVED
CITY OF STRATFORD
APR 17 2019
DIRECTOR OF CORPORATE
SERVICES OFFICE

RE: 2019 Community Grant Decision – Stratford Summer Music

We appreciate the support of \$20,000 granted for our upcoming season of musical presentations, specifically the free MusicBarge concerts which are enjoyed each week by hundreds of residents and visitors to Stratford.

Since our date of application last year, Scotiabank has sold the premises which included our offices, they have generously donated this space for the past eighteen years. The new expenses incurred for rent, utilities and related maintenance costs will add approximately \$30,000 annually to our budget. These costs were not foreseen when our Community Grant Application was submitted last autumn.

We respectfully ask that our initial grant request of \$25,000 be reconsidered in light of this change in overhead expense.

We will be also be presenting several free concerts and events in Market Square this summer, announcements regarding these events will follow confirmation of Celebrate Ontario funding.

Last year nearly 75,000 people participated in Stratford Summer Music events and performances, contributing an estimated 7.5 million dollars to the local economy (source Ministry of Tourism TREIM).

Thank you for considering our request once again.

Sincerely,

Judy Matheson
General Manager



From: CommunityGrantApplicationForm@stratford.ca
To: jmatheson@stratfordsummermusic.ca
Cc: [Wendy Partridge](#)
Subject: Thank you for your response to Community Grant Application Form
Date: November-20-18 2:07:04 PM

Hello,

Thank you for your response to Community Grant Application Form submitted at Tuesday November 20th 2018 2:06 PM with reference number 2018-11-20-008.

- **Amount requested for this grant:**

\$25,000.

- **Please explain how your activity or service will specifically benefit the residents of Stratford:**

Our programming brings the widest possible spectrum of musical offerings to the Stratford community and area. Programming plans into 2019 and beyond will have opportunities for the francophone, indigenous and new artist communities in our area through both performances during the festival season, and through newly created events throughout the year, including educational outreach initiatives at schools in Stratford and Perth County areas. Education opportunities will support both the youth in our community and the mostly Ontario based artists who will facilitate these programs. With plans for robust programming at both the ticketed and free or Pay What You Can levels, we continue to offer over 40% of our events as affordable, allowing access to everyone in any financial circumstances. Our ticketing policy allows for a number of tickets at each event to be made available to students for \$10.

Presenting music for everyone includes those with special needs. Following the successful presentation of a 'relaxed' performance in 2018, we will feature an Azure Family concert in 2019 for families dealing with autism.

Performance spaces around Stratford include public spaces in our park system and heritage downtown, Local businesses such as restaurants and coffee shops, and churches that offer accessibility and parking facilities for patrons benefit from the visibility and economic impact of hosting our ticketed performances.

- **Please indicate how the grant funds will be used:**

To support free programming presented by our festival. Examples of free programming for 2019 are: four weeks of Summer MusicBarge free performances featuring a variety of musical genres that welcome all audiences regardless of age or economic circumstances.

Additionally, several free concerts in Market Square and live music

performed to outdoor film presentations in cooperation with Queen of the Square Cinema are planned for 2019. We plan to also feature performances 'pop up style' around the city centre by chamber groups as part of a larger National Youth Orchestra of Canada concert presentation.

- **If you are requesting an in-kind grant, please list the in-kind services being requested and provide costing(s) from the appropriate City department(s) to support amount being requested above:**

n.a.

- **Organization name:**

Stratford Arts Foundation o/a Stratford Summer Music

- **Contact Name:**

Judy Matheson

- **Mailing Address:**

P O Box 1013
Stratford ON
N5A 6W4

- **Telephone Number:**

(519) 271-2101

- **Fax Number:**

na

- **Email:**

jmatheson@stratfordsummermusic.ca

- **Website:**

stratfordsummermusic.ca

- **Briefly state your organization's missions/goals:**

"Stratford Summer Music stages an annual summer music festival of diverse musical experiences for both regional and wider audiences, to celebrate music and to enhance the reputation of the Stratford region as an exceptional home for all the arts." (Stratford Summer Music mission statement)

Stratford Summer Music, an annual multi-week music festival that presents 100 events featuring 350+ artists, is set in indoor and

outdoor venues throughout downtown Stratford, Ontario. With an artistic vision to produce, to the highest standards possible, an annual program of diverse and exciting musical performances by local, provincial, national and international artists and to provide the widest possible range of musical genres on our stages, Stratford Summer Music exposes audiences to a standard of musical excellence difficult to find outside large urban centres.

- **Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) :**

1. [Board of Directors List_2018.pdf \[193.6 KB\]](#)
2. [Staff List_2018.pdf \[80.2 KB\]](#)

- **Number of Volunteers:**

75 seasonal

- **Does the organization operate as a not-for-profit?**

Yes

- **Is the organization incorporated?**

Yes

- **If yes, please provide Date of Incorporation;**

11/14/2000

- **Does the organization have charitable status?**

Yes

- **If yes, please provide charitable number:**

87819 7417 RR0001

- **Are fees charged for membership or for any of the services/activities you provide?**

Yes

- **If yes, please explain:**

While we do offer over 30% of our events each year either free or Pay What You Can, we also present ticketed events to help offset artistic and production costs. At this point, ticket sales represent under 25% of our total annual revenue. The balance of our revenue, as outlined in the included budget, comes from fundraising activities, private and corporate sponsorships, and support from three levels of government.

- **Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities?**

Yes

- **If yes, please explain:**

Our events and musical presentations attract audiences from further afield than just Stratford. While residents of Stratford and immediate surrounding area make up approximately 50% of our audiences, visitors and cultural tourists also attend our events. In 2018 it was estimated that our festival added over \$7,500,000 to the local economy, based on the Ontario Ministry of Tourism's TREIM online measurement tool.

- **Website link to program details:**

https://stratfordsummermusic.ca/page.php?id=33&name=season_guide_2018.html

- **Otherwise, please attach supporting information to illustrate your organization's programs and activities, and how they meet the Community Grants Program eligibility criteria:**

1. [2019 - Request of City of Stratford for funding 2019.pdf \[1.0 MB\]](#)

- **Most recent year-end financial statements**

1. [FY 2017.pdf \[219.9 KB\]](#)

- **Budget for the year in which the funds are being requested:**

1. [Stratford budget 2019.pdf \[69.2 KB\]](#)

- **Please indicate separately any funding requested or received from other levels of government and other agencies, and the status of each application. Please state None if applicable.**

As indicated on the attached budget, we have applied to the Ontario Arts Council for funding under their Music Organizations - Operating program for \$42,049.

We have applied to the Canadian Arts Presentation Fund for 35,000. In the past both of these agencies have supported our requests.

We plan to once again apply for federal funding for our summer students, through the Canada Summer Jobs program. Most recently we received \$15,000 from this program and will apply for the same amount in 2019 once the program is available.

We are currently awaiting word on the status of the Ontario Government's Ministry of Tourism, Culture and Sports Celebrate Ontario program. If available again, we will apply for \$25,000 from this agency.

- **Please provide any additional comments you have here regarding your 2019 grant application:**

For the past two years, the city of Stratford has kindly granted us \$25,000 only after our appealing the city's decision to grant \$20,000 each year. Stratford Summer Music offers excellent value to the citizens and businesses of Stratford and area, and to the visitors who enjoy the addition of high calibre musical performances to their cultural experience in Stratford. We ask again this year for \$25,000 in recognition of the extensive free programming offered to the citizens of Stratford, adding to the quality of life for which our city is so highly valued.

- **Full name:**

Judy Matheson

- **Position:**

General Manager

- **Application Date:**

11/20/2018

[This is an automated email notification -- please do not respond]

STRATFORD SUMMER MUSIC

JOHN A MILLER, ARTISTIC PRODUCER

Stratford Arts Foundation

2018 Board of Directors

Chair	Mr. Marcel van Hulle (Stratford/Toronto) Senior Vice President, Info-Tech Research Group
Vice Chair	Mr. David Kerr (Stratford) Consulting Partner, Deloitte
Treasurer	Mr. John Wright (Stratford) Chairman, Ontario Electrical Construction Co. Ltd.

Directors

Mr. Graham Bunting (Stratford) - City Councillor, City of Stratford

Mr. Denis Harrison (Stratford) – Former Crown Attorney, current Federal Prosecutor

Ms. Mary E. Hofstetter C.M. (Stratford) – Arts, Culture, Governance Consultant. Past President, The Banff Centre

Ms. Jessica Leney (Stratford) – Enrichment Resource Support Teacher, Learning Services Department Avon Maitland District School Board

Ms. Betsy Little (London) – Retired, Former CEO Alzheimer Society London and Middlesex

Ms. Jean Anne McLeod (Toronto/Stratford) - Chief Operating Officer, Stikeman Elliott LLP

Mr. Doug Roth (Toronto/Stratford) – Chief Strategy and Financial Officer, Heart and Stroke Foundation

Mr. Paul Toner (Toronto/Stratford) - President, Simeon Canada

Mr. Jeremy Wreford (Stratford) – Retail Business Owner, Bradshaws Stratford

STRATFORD SUMMER MUSIC

JOHN A MILLER, ARTISTIC PRODUCER

Permanent Staff

John A. Miller, Artistic Producer	FT / Paid (until Sept 30, 2018)
Mark Fewer, Artistic Director Designate	FT / Paid (eff. July 1, 2018)
Judy Matheson, General Manager	FT / Paid
Drea Kerr, Marketing / Development	FT / Paid
Lana Mau, Administrator	FT / Paid
Amy Chartrand, Bookkeeper	PT / Paid

2018 Seasonal Staff (June to August)

Alanah Delaney, Artists Services Coordinator	FT / paid
Kaileigh Kryzstofiak, Production Manager	FT / paid
Deborah Lim, Assistant Production Manager	FT / paid
Anne Marie Walters, Production Coordinator	FT / paid
Giuseppe Condello, Production Coordinator	FT / Paid
Finnian Browne, Sound Technician	FT / paid
Zev Shoag, Production Technician	PT / paid
Eileen Furtney, Box Office Team Leader	FT / paid
Natalie Weinheimer, Box Office Associate	FT / paid
Emma Furtney, Box Office Associate	FT / paid
Erin McIntosh, Social Media Marketing Assistant	FT / paid
Gail Fischer, Volunteer Coordinator	PT / volunteer
Jan Hill, Volunteer Coordinator	PT / volunteer

Stratford Summer Music

Request for support from the City of Stratford, for the 2019 season

2018 Festival Season Report

Statistical Highlights

- 500 + donors and sponsors
- 300 + individual artists
- 100 + events over six weeks
- Over 60,000 people enjoyed free performances
- Over 6,600 people attended ticketed events
-

Artistic Highlights

- Six full weeks of ticketed and free performances in celebration of our 18th season
- The Museum of the Moon was installed on Tom Patterson Island for 11 days in August. As weather permitted, music representing continents around the world was presented underneath this magical orb, drawing nearly 20,000 visitors to Stratford's beautiful parkland.





- *Play Me I'm Yours* street pianos once again graced the streets of Stratford for the month of August. The instruments were transformed by four talented visual artists who reside in Stratford and area: **James Colbeck, Allan Dhingra, Lasha Mutual and Maxine Noel.**
- **Music for an Avon Morning** three performances on Tom Patterson Island featuring leaders and participants in our biannual Percussion Seminar, lead by TorQ Percussion Quartet.
- A six week, 12 performance series of **Musical Brunches at the Prune Restaurant**, featuring music by J S Bach and his family, on a variety of instruments.
- Popular series including the Robert Harris Illustrated Musical Lectures held at the University of Waterloo Stratford Campus on St Patrick Street.
- Returning performers included Ron Sexsmith, Blind Boys of Alabama, Whiskey Jack in a salute to Stompin' Tom Connors, Drew Santini and Phillip Addis in vocal performances. First Nations performers of note included recent Polaris prize winner Jeremy Dutcher, Tanya Tagaq and Laura Grizzlypaws who performed along with the Bluestone Cloud Drummers from Henley Inlet First Nations.

- Two popular performances of **The Tommy Dorsey Orchestra** at The Best Western Arden Park hotel.



- Some of Canada's finest classical musicians including **Jan Lisiecki**, **Angela Hewitt**, **Marc-Andre Hamelin** (piano), Daniel Taylor's **Theatre of Early Music** (choral), and **Stéphane Tétrault** (cello) graced the stage at Avondale Church during our summer 2018 season.



- An exceptional series of 30 free performances on the **MusicBarge**, with a wide variety of artists and genres, enjoyed by locals and tourists alike. **Shane Cook and Company**, **Asiko Afrobeat ensemble**, **Autorickshaw**, **Cadence**, **Langley Ukulele Ensemble** and the **Border Cities Caledonian Pipe Band** were the artists who contributed to the MusicBarge's eclectic programming mix this season, enjoyed by over 10,000 people who listened, sang, danced and clapped throughout this series of free concerts.



- In co-operation with members of the Stratford Field Naturalists, we hosted two **Bach Walks** on Sunday mornings, throughout the TJ Dolan natural area, accompanied by **The Ondine Chorus**, a vocal group from Guelph. These walks were free to the public.
- From Newfoundland, folk performers **The Ennis Sisters** were joined by **Shanneyganock** in a sold out performance 'Live from the Rock' at Avondale Church.



- **Stratford Sings Vocal Finale** wrapped up our most successful season to date with a wonderful performance by first rate Canadian musicians who call Stratford home or who have previously been associated with Stratford Summer Music.



- The 2018 season was a tribute to John A. Miller, founder and Artistic Producer, who retired at the end of this season. Passing the baton along to Mark Fewer, John will continue his association with Summer Music as Artistic Director Emeritus for another two years, assisting where required and ensuring a smooth transition.
- In 2018, with support from Celebrate Ontario and RTO4, our feature presentation of The Museum of the Moon drew 20,000 visitors in 11 days during August. The economic impact of our six week music festival is estimated at \$7,500,000 according to the Ministry of Tourism's TREIM information.

2019 Festival Season – Grant Request Year

Monday July 15th to August 25th

Six weeks of performances by Canadian and international artists, with plans continuing to evolve.

Opening Night

Free for the entire community with fireworks set to *Music for a Midsummer's Night*. The evening's program will feature The Shallaway Children's choir from Newfoundland.

Market Square Programming

In 2019 we will present several outdoor performances free to the public in Stratford's Market Square. Plans include an indie rock band, a popular brass band called **The Rex Hotel Orchestra**, and a Toronto based funk jazz band **The Shuffle Demons**.

Music Academies

Plans are already underway for the fifth consecutive **Vocal Academy** under the tutelage of Phillip Addis and Emily Hamper, along with other top flight Canadian vocal instructors. We also anticipate for 2019 the start of a **Strings Academy** led by our new Artistic Director Mark Fewer. Mr Fewer will be expanding musical education programming accessible for aspiring musicians of all ages and abilities.

BargeMusic

A variety of Canadian and heritage musical styles over four weeks of free concerts on the music festival's floating stage on the banks of the Avon River. Invitations have been extended to **Authorickshaw**, **Shane Cook**, **Bombadills** and **Payadora** as examples of the diversity of programming offered on our Summer MusicBarge.

Revival Friday Series

Evening performances at Revival House Restaurant feature Canadian artists with dinner & show packages. Featured in 2019 will be artists such as Duane Andrews, Remi Bolduc, Jodi Proznick, Heather Bambrick, and Tom Allen among others.



Financial Report

Our fiscal year end is November 30, with 2018 financial statements becoming available in February 2019. Our 2017 financial statements are attached, and show an accumulated surplus at the end of the 2017 fiscal year. Our financial position has strengthened steadily over the last several years, allowing us to begin building the John A Miller Legacy fund to ensure the financial stability over the long term for Stratford Summer Music.

Request to the City of Stratford

Our request for 2019 is an investment of \$25,000 once again from the City of Stratford. The requested amount will assist in funding free music performances and events for the citizens of Stratford and area next summer. The requested grant level represents just under 3% of Stratford Summer Music's total revenue, 17% of the music festival's funding from government agencies, and a 0% increase over last year's city of Stratford grant.

Stratford Summer Music is internationally recognized as one of Canada's finest summer music festivals. The Festival has grown successfully from one to six weeks of programming over 18 years. This success is in no small part attributable to the support afforded SSM by the City of Stratford, its residents, businesses and the tourists who visit. In return, Stratford Summer Music contributes richly to the quality of life, the economic vitality and the cultural fabric of the community.

Thank you for your prior support and for your consideration of this request for 2019.

Respectfully Submitted,



Mark Fewer, Artistic Director



Judy Matheson, General Manager

Stratford Arts Foundation o/a Stratford Summer Music	Budget 2019
---	------------------------------

REVENUE**EARNED REVENUE**

Ticket Sales	250,000
Education Program Registration	10,000
Merchandise	10,000
Advertising Revenue	15,000
Other Revenue (Raffle)	15,000
Interest Earned	1,000

TOTAL EARNED REVENUE **301,000** 34%

PRIVATE SECTOR REVENUE

Individual Donations	150,000
Corporate Donations & Sponsorships	150,000
Foundation Grants	20,000
Soiree Income	20,000
Over the Top Income	50,000
In-kind Donations (incl rent)	24,000
In-Kind Media	25,000

TOTAL PRIVATE SECTOR REVENUE **439,000** 50%

GOVERNMENT REVENUE

Municipal - City of Stratford	25,000	application November 2018
Provincial - OAC Operating	42,049	application submitted October 2018
Provincial - Celebrate Ontario	25,000	application pending
Federal - Canadian Heritage	35,000	application submitted September 2018
Federal - Canada Summer Jobs	15,000	application January 2019, notification March 2019

TOTAL GOVERNMENT REVENUE **142,049** 16%

TOTAL REVENUE **882,049**

EXPENSES

Artistic Expenses	330,000	38%
Production Expenses	105,000	12%
Administration Expenses	230,000	26%
Marketing Expenses	155,000	18%
Fundraising Expenses	45,000	5%
Contingency / Amortization	8,000	1%

TOTAL EXPENSES **873,000**

Operating Surplus / (Deficit) **9,049**

**The Stratford Arts Foundation
o/a Stratford Summer Music
Financial Statements
For the Year Ended November 30, 2017**

**The Stratford Arts Foundation
o/a Stratford Summer Music
Financial Statements
For the Year Ended November 30, 2017**

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Tel: 519-271-2491
Fax: 519-271-4013
www.bdo.ca

BDO Canada LLP
380 Hibernia Street
Stratford ON N5A 5W3 Canada

Independent Auditor's Report

To the Members of
The Stratford Arts Foundation
o/a Stratford Summer Music

We have audited the accompanying financial statements of The Stratford Arts Foundation, which comprise the statement of financial position as at November 30, 2017, the statements of operations, changes in net assets 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Stratford Arts Foundation as at November 30, 2017, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
February 27, 2018

**The Stratford Arts Foundation
o/a Stratford Summer Music
Statement of Financial Position**

November 30 **2017** **2016**

Assets

Current

Cash	\$ 37,418	\$ 58,245
Short term investments (Note 2)	18,842	5,181
Accounts receivable	50,000	22,046
HST recoverable	4,741	2,343
Prepaid expenses	5,037	9,742

116,038 **97,557**

Long term investments (Note 2)

37,239 **-**

Capital assets (Note 3)

13,771 **16,729**

\$ 167,048 **\$ 114,286**

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$ 65,798	\$ 24,486
Deferred revenue	20,522	140

86,320 **24,626**

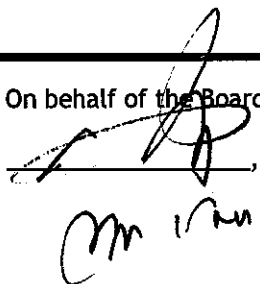
Net Assets

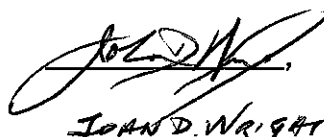
Unrestricted net assets	20,204	34,981
Net assets invested in capital assets	13,771	16,730
Maureen Forrester Young Canadian Artist Fund	7,949	7,949
John A. Miller Legacy Fund	38,804	30,000

80,728 **89,660**

\$ 167,048 **\$ 114,286**

On behalf of the Board:

 Director
Mr. Ian Kille

 Director
JOANN D. WRIGHT

**The Stratford Arts Foundation
o/a Stratford Summer Music
Statement of Changes in Net Assets**

November 30	Unrestricted Net Assets	Net Assets Invested in Capital Assets	Maureen Forrester Young Canadian Artist Fund		John A. Miller Legacy Fund		2017	2016
			Artist Fund	Canadian	Young	Maureen		
Net revenue (expenditures) for the year	\$ (14,009)	\$ (3,727)	\$ -	\$ -	\$ 8,804	\$ (8,932)	\$ 55,556	
Transfers between funds	(768)	768	-	-	-	-	-	
Balance, beginning of year	34,981	16,730	7,949	30,000	89,660	34,104		
Balance, end of the year	\$ 20,204	\$ 13,771	\$ 7,949	\$ 38,804	\$ 80,728	\$ 89,660		

The accompanying notes are an integral part of these financial statements.

The Stratford Arts Foundation Statement of Operations

For the year ended November 30	2017	2016
Revenue		
Earned Revenue		
Ticket sales	\$ 212,963	\$ 178,435
Advertising sales	16,500	12,050
Merchandise & other sales	17,470	11,101
Interest	1,464	1,695
John A. Miller Legacy Fund investment income	2,239	-
	<u>250,636</u>	<u>203,281</u>
Donations and Fundraising		
Corporate donations	132,053	148,700
Foundation donations	33,250	35,000
Individual donations	131,389	121,145
In-kind donations	94,898	82,070
Special event revenue	99,647	76,890
John A. Miller Legacy Fund donations	6,565	21,170
	<u>497,802</u>	<u>484,975</u>
Government Grants		
Federal (Note 5)	50,048	46,813
Provincial (Note 5)	162,987	109,287
City of Stratford	25,500	20,000
	<u>238,535</u>	<u>176,100</u>
	<u>986,973</u>	<u>864,356</u>
Expenditures		
Artistic (Schedule of Expenses)	393,138	319,729
Production (Schedule of Expenses)	130,594	70,259
Administration (Schedule of Expenses)	211,180	199,742
Marketing & fundraising (Schedule of Expenses)	257,266	215,483
Amortization	3,727	3,587
	<u>995,905</u>	<u>808,800</u>
Net revenue for the year	<u>\$ (8,932)</u>	<u>\$ 55,556</u>

The accompanying notes are an integral part of these financial statements.

**The Stratford Arts Foundation
o/a Stratford Summer Music
Statement of Cash Flows**

For the year ended November 30	2017	2016
Cash from operating activities		
Cash receipts from earned income	\$ 257,235	\$ 190,474
Cash receipts from donations and fundraising	472,402	491,875
Cash receipts from government grants	247,365	179,493
Cash paid to suppliers	(648,538)	(538,453)
Cash paid to employees	(257,938)	(239,505)
Cash paid for fundraising	(39,684)	(33,985)
	<u>30,842</u>	<u>49,899</u>
Cash flows from investing activities		
Change in short term investments	(13,661)	(58)
Change in long term investments	(37,239)	-
Purchase of capital assets	(769)	-
	<u>(51,669)</u>	<u>(58)</u>
Net (decrease) increase in cash	(20,827)	49,841
Cash, beginning of the year	58,245	8,404
Cash, end of the year	\$ 37,418	\$ 58,245

The accompanying notes are an integral part of these financial statements.

The Stratford Arts Foundation o/a Stratford Summer Music Notes to Financial Statements

November 30, 2017

1. Significant Accounting Policies

Purpose of Organization The Stratford Arts Foundation (the "Foundation") was incorporated under the laws of Canada by letters patent dated November 14, 2000 and is exempt from income taxes as a registered charity under section 149(f) of the Income Tax Act. The Foundation obtained its Certificate of Continuance as required under section 211 of the Canada Not-for-Profit Corporations Act on May 1, 2014. The Foundation's purpose is to establish, maintain and operate cultural projects, and particularly a summer music festival, in the City of Stratford.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the following estimated useful lives:

	Years
Barge	10
Computer equipment	3
Office equipment	5
Festival equipment	10

Contributed Materials/Services A substantial number of volunteers contribute a significant amount of their time to the Foundation each year. Due to the difficulty of determining fair value, these contributed services are not recognized in the financial statements.

Contributed materials for which the fair value is determinable and the item would have been otherwise purchased are recorded in the financial statements as both an in-kind donation and an expense. The Foundation receives in-kind donations of rent and advertising. The Foundation also receives in-kind donations of auction items, which are included in the special event revenue and the fundraising expenses.

Revenue Recognition The Foundation 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 reasonable assured.

Revenue from ticket sales, soirees, garden parties and dinners is recognized as the events are held. Deferred revenue may arise if funds are received in the current fiscal year that relate to subsequent fiscal years.

**The Stratford Arts Foundation
o/a Stratford Summer Music
Notes to Financial Statements**

November 30, 2017

1 . Significant Accounting Policies (continued)

Financial Instruments

The Foundation recognizes and measures financial assets and financial liabilities on the balance sheet when it becomes a party to the contractual provisions of a financial instrument. All transaction costs related to financial instruments are recorded as incurred. All financial instruments are measured at fair value on initial recognition. In subsequent periods, they are reported at cost or amortized cost less impairment, with the exception of long-term investments which are reported at fair market value, with changes reported in the statement of operations. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

It is management's opinion that the Foundation is not exposed to significant currency, credit or interest rate risks arising from its financial instruments.

Use of Estimates

The preparation of financial statements in accordance with the 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 reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

John A. Miller Legacy Fund

In 2016, the Board set aside designated donations and a portion of the net revenue for the year to establish the John A. Miller Legacy Fund (formerly known as the "Continuity Fund"). The Fund is held in a separate investment account. The Fund's purpose is to ensure the long-term continuity and viability of the Foundation by providing a resource for smoothing cash flow requirements over the operating cycle. It will also provide a buffer against significant unforeseen contingencies. It will not be used to meet operating expenses. Rather, if funds are withdrawn to meet cash flow needs, the Board intends to replace them by the end of the fiscal year. The Fund balance will be increased as surplus operating funds become available.

**Maureen Forrester Young
Canadian Artist Fund**

The Board set aside proceeds from a tribute concert in order to establish the Maureen Forrester Young Canadian Artist fund. This fund will support on-going programming at the organization for young artists at professional rates. The funds may be used at the discretion of the Board.

**The Stratford Arts Foundation
o/a Stratford Summer Music
Notes to Financial Statements**

November 30, 2017

1 . Significant Accounting Policies (continued)

Foreign Currency Translation	Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on translation of monetary assets and liabilities are included in net income.
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**The Stratford Arts Foundation
o/a Stratford Summer Music
Notes to Financial Statements**

November 30, 2017

2. Investments

Short term investments consist of a \$18,800 non-redeemable guaranteed investment certificate (GIC) with an annual compound interest rate of .67%.

Long-term investments represents the Foundation's contributions to a diversified Investment fund managed on its behalf by the Ontario Arts Foundation as well as the investment income thereon.

The Ontario Arts Foundation also holds an endowment on behalf of the Foundation that has a market value of \$26,830. This endowment is not included in the Statement of Financial Position as the Foundation does not control it.

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Barge	\$ 43,099	\$ 36,187	\$ 43,099	\$ 34,741
Computer equipment	5,298	4,785	4,529	4,529
Office equipment	500	500	500	500
Festival equipment	20,256	13,910	20,256	11,885
	69,153	55,382	68,384	51,655
Net book value		\$ 13,771		\$ 16,729

4. Credit Facility

The Foundation has established a bank operating line of credit of up to \$37,500 bearing interest at Scotiabank prime plus 4% and secured by a general security agreement providing a charge on all assets of the Foundation and a cash collateral charge. At November 30, 2017 the Foundation had not drawn on this facility (2016 - \$NIL).

**The Stratford Arts Foundation
o/a Stratford Summer Music
Notes to Financial Statements**

November 30, 2017

5. Government Grants

	<u>2017</u>	<u>2016</u>
Federal Grants		
Canada Heritage	\$ 35,000	\$ 35,000
Canada Summer Jobs	<u>15,048</u>	<u>11,813</u>
	<u>50,048</u>	<u>46,813</u>
Provincial Grants		
Ontario Arts Council	29,987	29,987
Ministry of Tourism and Culture	70,000	76,800
Regional Tourism Organization	3,000	2,500
Ontario Cultural Attractions Fund	<u>60,000</u>	<u>-</u>
	<u>\$ 162,987</u>	<u>\$ 109,287</u>

6. Comparative Figures

Certain comparative figures have been adjusted to conform to current year presentation.

**The Stratford Arts Foundation
o/a Stratford Summer Music
Schedule of Expenses**

For the year ended November 30	2017	2016
Artistic		
Artistic salaries	\$ 73,978	\$ 73,660
Artistic expenses	20,214	17,261
Performer fees	249,835	182,854
Performer accommodations	26,669	29,835
Performer travel costs	16,521	10,840
SOCAN	5,921	5,279
	<u>393,138</u>	<u>319,729</u>
Production		
Production/technical staff wages	47,783	27,162
Site rentals	14,643	12,016
Production expenses	68,168	31,081
	<u>130,594</u>	<u>70,259</u>
Administration		
Administration salaries/fees	114,796	112,487
Professional fees	14,546	15,567
Insurance	5,817	4,366
Rent	24,000	24,000
Administration expenses	39,684	33,985
Merchandise expense	12,337	9,337
	<u>211,180</u>	<u>199,742</u>
Marketing and Fundraising		
Advertising and marketing salaries/fees	25,200	25,000
Advertising and marketing expenses	193,804	157,382
Fundraising expenses	38,262	33,101
	<u>\$ 257,266</u>	<u>\$ 215,483</u>



Each life respected & protected

Working to end cat over-population in Perth County, so that each cat may be deemed to be of value, with the opportunity to live a full, natural life.

25 April 2019

City of Stratford Finance & Labour Relations Sub-committee

Councillors Tom Clifford, Dave Gaffney, Brad Beatty, Graham Bunting and Martin Ritsma

Dear Councillors,

On behalf of the Directors of Feline Friends Network of Stratford, I would like to sincerely thank you for approving a 2019 grant of \$2,500, which we will use in the operation of our spay/neuter programs to reduce cat overpopulation and homelessness.

We wish to appeal the decision to grant an amount that is lower than requested, because we believe that there may be a misunderstanding about programs offered by Feline Friends Network (FFN) and Stratford-Perth Humane Society (SPHS).

Our grant decision letter states that the approved amount is lower than our original request of \$10,000 because the Humane Society will be offering a low-cost spay and neuter program in 2019. We wish to point out that Stratford-Perth Humane Society's reduced cost spay/neuter clinic is substantially different from Feline Friends Network's Low-Income Spay/Neuter Assistance Program.

Feline Friends offers FREE spay/neuter surgeries to those who qualify as low-income in Stratford and Perth County. Applicants must have their household finances assessed to qualify (gross income must be below \$30,000 annually for a single-person household, with a sliding scale up to \$40,000 for a household of three or more family members).

We spayed and neutered 111 cats through this program in 2018 – predominantly cats owned by Stratford residents. In the first quarter of 2019, 36 people have qualified for free spays & neuters – approximately 25 of them from Stratford (each qualifying household may have up to two cats sterilized free per year). We don't have our own spay/neuter clinic, so successful applicants choose from a list of eight participating veterinary clinics, including three clinics in the City of Stratford. Depending on which clinic they choose, the cat owner may be responsible for the cost of vaccines. For the purpose of estimating, if our cost per cat for spay/neuter surgery average \$100, \$10,000 would cover the cost of sterilizing 100 cats through our Low-Income Assistance Program.

Continued on page 2

Stratford-Perth Humane's reduced cost clinic, while a very welcome addition to the community, is not specifically targeted to low-income residents. It is available to anyone regardless of income level, therefore, people with very high incomes may use SPHS's clinic. The cost to cat owners is currently \$95/neuter or \$110/spay plus vaccines. While prices are lower than those of an average veterinary clinic, they are still unaffordable for cat owners in the greatest financial difficulty. Also, the SPHS clinic is available to anyone regardless of geography, so people outside of Stratford and outside of Perth County may use it.

With this clarification of the differences between our Low-Income Spay/Neuter Assistance Program and Stratford-Perth Humane Society's reduced cost spay/neuter clinic, we ask that you please reconsider the amount awarded to Feline Friends for the 2019 year in order to help us ensure that Stratford's low-income residents are able to spay/neuter their felines. Our Low-Income Assistance, Trap-Neuter-Return and Foster/Adoption programs all contribute to our efforts to reduce the number of unwanted, homeless litters of kittens in Stratford.

For more information on our programs, including Low-Cost Spay/Neuter Assistance, please visit:
<https://felinefriends.ca/programs.html>.

Please don't hesitate to contact me with any questions or concerns you may have.

Many thanks,
Sharon Morrice
President, FFN

From: CommunityGrantApplicationForm@stratford.ca
To: info@felinefriends.ca
Cc: [Wendy Partridge](#)
Subject: Thank you for your response to Community Grant Application Form
Date: November-29-18 10:21:05 PM

Hello,

Thank you for your response to Community Grant Application Form submitted at Thursday November 29th 2018 10:20 PM with reference number 2018-11-29-011.

- **Amount requested for this grant:**

\$10,000

- **Please explain how your activity or service will specifically benefit the residents of Stratford:**

Our TNR (Trap/Neuter/Return) program helps reduce the overpopulation of homeless cats and kittens through attrition. It gives Stratford residents an option to be able to help these cats without sending them to a shelter where they will not be considered adoptable and where the outcome will not be a happy one. Cats are TNR'd and returned back to the caretaker if it has a designated feeder (or feeders) willing to feed/shelter them outdoors. If the cat is friendly/social it will enter our foster/adoption program. The program is helping reduce the number of unwanted stray cats/kittens through attrition or through adoption into homes.

Our Low Income Spay/Neuter program is the second step in reducing the overpopulation problem. It helps Stratford residents who are considered low income (per our guidelines that are listed both on our website and posted with Salvation Army/House of Blessing) to have their cats spayed or neutered with no cost for the surgery. If we were to receive this grant in 2019 we would also be able to offer to cover the one cost that they are responsible for (and which may be the reason some do not follow through with the program) of paying to have their cats vaccinated before their surgeries (at an additional cost of approx. \$40+). Spaying or neutering a cat helps to reduce unwanted behaviors, prevents surrender of the cats to shelters and removes the possibility of breeding, leading to unwanted kittens that then become a burden to shelters/area rescues.

- **Please indicate how the grant funds will be used:**

Grant funds will go towards supporting our TNR and low-income programs and will allow us to increase our presence through advertisement in the community to hopefully capture a larger segment of the population, further reducing the cat overpopulation

problem. This program also benefits the vet clinics in Stratford as its additional income to their business and may lead to repeat customers down the road.

- **Organization name:**

Feline Friends Network of Stratford

- **Contact Name:**

Jamie Lamond

- **Mailing Address:**

[REDACTED]

- **Telephone Number:**

[REDACTED]

- **Fax Number:**

N/A

- **Email:**

info@felinefriends.ca

- **Website:**

<https://www.felinefriends.ca>

- **Briefly state your organization's missions/goals:**

To humanely end the problems of cat overpopulation and homelessness in our area through spaying, neutering and education.

We hope to see a day when every cat may be deemed to be of value, with the opportunity to live a full and natural life. Our vision for the future? Each life respected... and protected.

- **Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) :**

1. [Organizational Structure.docx \[11.8 KB\]](#)

- **Number of Volunteers:**

Varying Ranges - 160 paid members could all volunteer at some point

- **Does the organization operate as a not-for-profit?**

No

- **Is the organization incorporated?**

Yes

- **If yes, please provide Date of Incorporation;**

9/4/2009

- **Does the organization have charitable status?**

Yes

- **If yes, please provide charitable number:**

837459254 RR0001

- **Are fees charged for membership or for any of the services/activities you provide?**

Yes

- **If yes, please explain:**

Yes, we charge a membership fee per year of \$15. Those who are members can partake in special discounts offered by businesses (including all the pet stores in Stratford) that have partnered with Feline Friends.

We also ask for a minimum contribution of \$25 per cat being TNR'd. This helps cover some of the costs for vet expenses (the remainder is paid for through fundraising efforts).

- **Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities?**

Yes

- **If yes, please explain:**

Yes, although we mainly focus in the Stratford area and St Marys (as that is where our head TNR coordinators are located) we provide our services (within volunteer time available) to all of Perth County. As well for our low-income program, anyone in Perth County who qualify financially through their local Salvation Army/House of Blessing representative can use our services.

- **Website link to program details:**

<https://www.felinefriends.ca/programs.html>

- **Otherwise, please attach supporting information to illustrate your organization's programs and activities, and how they**

meet the Community Grants Program eligibility criteria:

- **Most recent year-end financial statements**

1. [2017 FS.pdf \[1.7 MB\]](#)

- **Budget for the year in which the funds are being requested:**

1. [2019 Budget.pdf \[442.7 KB\]](#)

- **Please indicate separately any funding requested or received from other levels of government and other agencies, and the status of each application. Please state None if applicable.**

Petsmart Grant – requested \$5,000 towards our TNR program. Currently unknown decision as they give an answer by Dec 31st, 2018

Animal Aid Foundation – Requested \$2,000 towards our spay/neuter efforts for “friendly ferals” that enter our adoption program during our TNR efforts. No response for 2018, assume did not get grant again. Did receive in 2017.

- **Please provide any additional comments you have here regarding your 2019 grant application:**

We are an organization that formed in Stratford in 2006, and received our designated charitable status in 2009. The main focus was on reducing the feral/stray population in Stratford humanely through attrition. Since then, we also expanded to include Perth County. Over time we have grown from a very small organization of a few, to a paid membership of 160 and numerous volunteers and followers. We are also well known in the community and referred to on a constant basis by local citizens. We receive phone calls on almost a daily basis for help, and feel like we have started to see an increase in calls relating to stray/abandoned cats within the city limits. We have never received funds from the City of Stratford’s grant program, but we feel as we are continuing to grow and all of the services we continue to provide for Stratford residents at both low or no cost that we are now reaching out for grants to help continue to fund our efforts and allow us to help more individuals and the cats of Stratford.

- **Full name:**

Jamie Lamond

- **Position:**

Treasurer

- **Application Date:**
11/29/2018

[This is an automated email notification -- please do not respond]

From: Feline Friends Network
To: Wendy Partridge
Subject: Re: Thank you for your response to Community Grant Application Form
Date: February-04-19 10:30:58 PM

Hi Wendy,

Thank you for the opportunity to give you more information about what Feline Friends Network does!

In 2018, we spayed (females) or neutered (males) 390 cats in total. Of that 390 :

- 140 cats were done through our Trap-Neuter-Return (TNR) program, meaning that they were humanely trapped, 'fixed', and returned to their outdoor homes, where people continue to feed and care for them.
- 111 were done through our Low-Income Spay/Neuter Assistance Program, in which we provide FREE spays & neuters for cats owned by people in financial difficulty. We don't have precise numbers, but a significant number of people who qualify for our Low-Income Program are residents of Stratford, who are assessed by either House of Blessing or Salvation Army. They may have jobs with low wages or be on some form of social assistance or disability income.
- 139 cats went through our Foster & Adoption Program. All cats and kittens are sterilized and vaccinated before being adopted. This helps prevent many accidental litters of kittens because the people adopting may otherwise have adopted an un-spayed / un-neutered cat. Cats can have four litters a year and their kittens can start having babies at 5-6 months of age.

The split between Stratford and out-of-town requests is difficult for us to track because of the sheer number of requests we receive and the volume of cats we help. Feline Friends is 100% volunteer-run, and although we have a lot of members and followers, there is a very small core group of volunteers dealing with the cats that come our way. We do know that there is overlap between the population of cats in Stratford vs. the surrounding rural area – ie. Stratford residents get free kittens from barns and bring them into the City. FFN has spayed & neutered several barns just outside the city limits, as well as throughout the County, to try to curb the adoption of unsterilized barn cats & kittens. Also, there is the problem of cats being 'dumped' at rural properties... and an unknown number of people dumping cats in the country is certainly comprised of City residents. So, it's difficult to say what are 'Stratford vs. non-Stratford' cats, and it's not feasible to solve Stratford's cat overpopulation problem without spaying & neutering cats from the surrounding area.

We have not yet approached the Town of St. Marys or the County of Perth for funding. We are relatively inexperienced in applying for grants, but as our volunteers' time allows, we hope to expand our requests for funding.

A total of 2,498 cats have been spayed or neutered through our programs since Feline Friends was founded in 2016.

I hope that this is helpful. Please let me know if we can provide any further information.

Many thanks,
 Sharon Morrice, President
 Feline Friends Network of Stratford

Feline Friends Network of Stratford
Organizational Structure

Sharon Morrice – Board member, President

Jamie Lamond – Board member, Treasurer, Bookkeeper

Holly Roulston – Board Member, Fundraising Chair, TNR coordinator, Foster/Adoption

Marg Usprech - Board Member, Fundraising Chair, TNR coordinator, Foster/Adoption

Shelly McLean – Board Member – Foster Home Provider

Sue Pasquale – Board Member

Cheryl Simpson – Feral Feeder Coordinator

Brenda Ford– Phone coordinator

Doug Fyfe – Membership

Shannon Fyfe – TNR coordinator

We also have multiple feral feeders, foster homes, and others who we can call on for volunteering. The above are the main coordinators for different sections of our charity and are all fully volunteer based – there are no salaried positions.

**Feline Friends Network
2019 Budget**

Income	2019 Budget
Donations	40,000.00
Fundraisers	25,000.00
Adoptions	8,000.00
Memberships	2,000.00
Grants	15,000.00
Tshirts	500.00
	<hr/>
	90,500.00
Expenses	<hr/>
TNR Vet	13,000.00
TNR Other (Traps, Food, Shelters)	2,000.00
Cellphone	350.00
Office	1,500.00
AGM	300.00
Good Samaritan	0.00
Adoptions	30,000.00
Cinderella Fund	6,500.00
Behaviour Hotline	200.00
Low Income S/N	15,000.00
Fundraiser Expenses (breakdown below)	2,500.00
Truffles	0.00
Pat's Puddy Products	1,500.00
Fundraiser	500.00
Upscale Yard Sale	0.00
Other/Misc	500.00
Wine Raffle Expenses	400.00
Education	500.00
Other - Catio Tour	0.00
Catapawlooza	0.00
Mileage	8,000.00
Advertising	200.00
Service Charges	350.00
Other Charges (Canada Helps, etc)	0.00
Legal	250.00
Feral Shelters	500.00
Conference	0.00
Spay the Mama	0.00
Insurance	1,300.00
Tshirts	500.00
Rental Box	1,320.00
Other	0.00
Donations to Other Charities	500.00
Cat Flat	7,000.00
	<hr/>
	92,170.00
	<hr/>
Net	-1,670.00

FELINE FRIENDS NETWORK
OF STRATFORD

FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Prepared Without Audit - see Notice to Reader)

Famme & Co.

Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS

JEFFREY R. SKUBOWIUS, BA, CPA, CA
 FRANKLIN H. FAMME, BBA, CMgr, CPA, CA
 BRADLEY J. W. McNEIL, BA, MAcc, CPA, CA
 STEPHEN VAN DEN HENGEL, BA, CPA, CA
 PETER D. BRICKMAN, BA, CPA, CA
 STEPHEN J. WARD, BA, MAcc, CPA, CA
 LYNN EIDT, BBA, CPA, CA
 MICHAEL P. B. JAREMCHENKO, BA, CFP, CPA, CA
 PHILLIP W. HART, BMath, MAcc, CPA, CA

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 FAX 519-284-4393

E-MAIL: office@fammcandco.on.ca
 WEBSITE: www.fammcandco.on.ca

NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of **Feline Friends Network of Stratford** as at **December 31, 2017** and the statements of operations and surplus for the year then ended. We have not performed an audit or review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

An employee of the accounting firm preparing these financial statements is a volunteer member of the board of directors of the organization.

Famme & Co.
 Professional Corporation
 Chartered Professional Accountants
*Authorized to practise public accounting by
 the Chartered Professional Accountants of Ontario*

Stratford, Ontario
 January 19, 2018

Feline Friends Network of Stratford
Balance Sheet
 As at December 31, 2017

	ASSETS			
	General Fund	Lottery Fund	Total 2017	Total 2016
Current Assets				
Bank	\$ 36,008	\$ 8,043	\$ 44,051	\$ 45,362
Bank shares	151	-	151	141
HST receivable	6,082	1,173	7,255	6,205
Due from General Fund	(2,516)	2,516	-	-
Prepaid	<u>40</u>	<u>-</u>	<u>40</u>	<u>40</u>
	<u>\$ 39,765</u>	<u>\$ 11,732</u>	<u>\$ 51,497</u>	<u>\$ 51,748</u>
	LIABILITIES			
Current Liabilities				
Accounts payable and accrued liabilities	3,673	1,380	5,053	2,587
Deferred revenue	<u>330</u>	<u>-</u>	<u>330</u>	<u>210</u>
	<u>4,003</u>	<u>1,380</u>	<u>5,383</u>	<u>2,797</u>
	SURPLUS			
Surplus	<u>35,762</u>	<u>10,352</u>	<u>46,114</u>	<u>48,951</u>
	<u>\$ 39,765</u>	<u>\$ 11,732</u>	<u>\$ 51,497</u>	<u>\$ 51,748</u>

(Prepared Without Audit - see Notice to Reader)

Feline Friends Network of Stratford
Statement of Surplus
For the year ended December 31, 2017

	General Fund	Lottery Fund	Total 2017	Total 2016
Balance - beginning of year	\$ 33,789	\$ 15,162	\$ 48,951	\$ 38,740
Excess of revenue over expenditures (expenditures over revenue) for the year	<u>1,973</u>	<u>(4,810)</u>	<u>(2,837)</u>	<u>10,211</u>
Balance - end of year	<u>\$ 35,762</u>	<u>\$ 10,352</u>	<u>\$ 46,114</u>	<u>\$ 48,951</u>

(Prepared Without Audit - see Notice to Reader)

Feline Friends Network of Stratford
Statement of Operations
For the year ended December 31, 2017

	General Fund	Lottery Fund	Total 2017	Total 2016
Revenues				
Donations	\$ 44,075	\$ 900	\$ 44,975	\$ 41,993
Fundraisers	21,056	8,656	29,712	21,804
Adoptions	8,922	-	8,922	4,310
Memberships	2,001	-	2,001	2,488
Grant	2,000	-	2,000	-
T-shirts	537	-	537	495
Bank interest	42	16	58	47
	<u>78,633</u>	<u>9,572</u>	<u>88,205</u>	<u>71,137</u>
Expenditures				
Bank charges and online fees	386	-	386	446
TNR program	13,204	2,029	15,233	5,996
Low cost spay/neuter	9,456	355	9,811	11,400
Advertising	979	-	979	409
Office	1,848	-	1,848	2,392
Education	37	-	37	661
Professional fees	312	-	312	300
Mileage	9,626	-	9,626	7,436
T-shirts	1,120	-	1,120	-
Emergency fund	6,116	759	6,875	11,250
Adoptions	22,913	10,046	32,959	11,717
Good samaritan	46	-	46	748
Donations to other charities	3,000	-	3,000	500
Fundraising	5,098	1,193	6,291	5,104
Insurance	1,212	-	1,212	1,253
Storage rental	1,307	-	1,307	1,314
	<u>76,660</u>	<u>14,382</u>	<u>91,042</u>	<u>60,926</u>
Excess of revenue over expenditures				
(expenditures over revenue) for the year	\$ <u>1,973</u>	\$ <u>(4,810)</u>	\$ <u>(2,837)</u>	\$ <u>10,211</u>

(Prepared Without Audit - see Notice to Reader)



MANAGEMENT REPORT

Date: May 21, 2019
To: Finance & Labour Relations Sub-committee
From: Michael Humble, Director of Corporate Services
Report#: FIN19-013
Attachments: None

Title: Ontario Regulation 284/09

Objective: To meet the legislative requirements of Ontario Regulation 284/09 for financial reporting.

Background: In 2009, the Public Sector Accounting Board (PSAB) introduced revisions to the accounting standards whereby municipalities were required to move to a full accrual basis of financial statement reporting. The most significant change was with the accounting for capital assets whereby now assets are expensed (amortized) over the estimated life of the asset.

The new standards, however, did not require that budgets be prepared on the same basis.

Like most municipalities, the City of Stratford continues to budget on a modified cash basis in order to determine the annual tax levy.

In order to allow municipalities to continue to budget using a cash basis, Ontario Regulation 284/09 was passed. Ontario Regulation 284/09 permits municipalities to exclude certain full accrual expenses from their estimated expenditures when setting its budget and tax rates.

The City of Stratford's 2019 approved budget excludes:

- Amortization expenses on tangible capital assets
- Post-employment benefits expenses
- Solid waste landfill closure and post-closure expenses.

If the budget does not include these expenses, a report to Council is required. The report shall include (1) an estimate of the change in the accumulated surplus of the municipality resulting from the exclusion of any of these expenses and (2) an analysis of the estimated

impact of the exclusion of any of the expenses on the future tangible capital asset funding requirements.

In addition to these excluded expenses, the following items that are included in the cash-based budget are to be excluded from the PSAB full accrual budget:

- Principal paid on debt
- Transfers to reserve accounts
- Transfers from reserve accounts
- Acquisition costs of tangible capital assets

Analysis:

Amortization Expenses on Tangible Capital Assets:

An estimated amortization expense of \$7,710,265 was not included in the 2019 budget. This estimate is based on a 2014– 2018 five-year average and considering the acquisition of new assets in 2019 and the half-year rule depreciation.

Post-Employment Benefits Expenses

The City is obligated to report as a liability an estimate for future employee benefits, unused sick leave payments, and WSIB benefits.

Every year, an actuarial consultant reviews the accrued banks and workforce demographics of the City, and forecasts future benefit obligations.

The independent actuarial review estimated the liability to be \$13,691,913 as at 31st December 2017 and the estimated 2018 expense to be \$927,300.

A 2014-2018 five-year average would put the budgeted 2019 expense around \$727,740.

The City annually contributes funds into a reserve for these future expenses, and at 31st December 2018 the balance in the Sick & Severance Reserve was \$6,066,378.

The 2019 expense is estimated to be \$494,300 based on a 2014-2018 five-year average.

If the City were to fully fund post-employment benefits obligations, the budget would have to include a reserve contribution of \$7,640,080.

Solid Waste Landfill Closure and Post-Closure Expenses:

The City is obligated to report as a liability the estimated future cost of landfill closure and post closure expenses.

The latest audited financial statements (2017) estimate the liability to be \$1,604,829. This amount has been increasing steadily over the past five years (was \$712,444 in 2013). The liability will continue to increase as landfill capacity is progressively used, we get closer to full capacity and the post closure costs keep escalating.

The 2019 expense is estimated to be \$139,900 based on historical experience.

The City currently does not contribute funds to a reserve for future landfill costs. If the City were to fully fund landfill closure and post-closure obligations, the budget would have to include a reserve contribution of around \$1,412,000.

Impact on Future Tangible Capital Asset Funding Requirements

It is important to note that amortization expense is not an accurate representation of the City's "Infrastructure Deficit".

Amortization expense is an accounting entry that is recorded based on the historical cost of an asset when it was originally purchased, constructed or put into service.

Amortization expense is recorded in our financial statements over the expected useful life of the asset.

Many of the City's infrastructure assets are already fully amortized and beyond their useful lives so there is no ongoing write-down recorded.

The basis for amortization is historical cost which tends to be only a fraction of today's replacement cost, and therefore a weak indicator of the amount needed to be set aside for asset replacement.

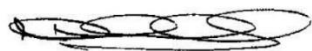
A comprehensive asset management plan is the best source for quantifying future capital funding needs and measuring the infrastructure deficit in today's dollars.

Under the PSAB reporting guidelines, the impact of representing a full accrual basis of budgeting would be an increase to the City's accumulated surplus of \$18,017,840.

Impact on Accumulated Surplus: Ontario Regulation 284/09 Reconciliation				
				DEFICIT
		REVENUES	EXPENDITURE	(SURPLUS)
2019 Approved Budget		-140,551,373	140,551,373	
2019 PSAB Full Accrual Budget Adjustments				
Less: Transfer From Reserves		11,043,705		
Less: Transfer to Reserves			-12,597,300	
Less: Acquisition of Capital Assets			-18,298,550	
Less: Principal Paid on Debt			-6,743,600	
Subtotal Before Exclusions		-129,507,668	102,911,923	-26,595,745
Exclusions per O Reg 284/9				
Add: Post Employment Benefits			727,740	
Add: Landfill Post Closure Costs			139,900	
Add: Amortization Expense			7,710,265	
Revised 2019 PSAB Budget, as amended		-129,507,668	111,489,828	-18,017,840

Financial Impact: There is no direct financial impact with this report as it does not affect our operating surplus/deficit. The intent is to describe the conversion of the approved cash-based budget to a PSAB full accrual budget format, which complies with legislated requirements.

Staff Recommendation: **THAT the report from the Director of Corporate Services regarding legislative requirements of Ontario Regulation 284/09, and the impact of excluded expenses from the City's 2019 budget, be approved.**



Michael Humble, Director of Corporate Services



Rob Horne, Chief Administrative Officer



Corporate Services Department

MANAGEMENT REPORT

Date: May 21, 2019
To: Finance and Labour Relations Sub-committee
From: Michael Humble, Director of Corporate Services
Report#: FIN19-016
Attachments: Festival Hydro Inc. Financial Statements – Dec 31 2018 and Mar 31 2019
Resolution of the Sole Shareholder of Festival Hydro Inc.

Title: Financial Statements and Commentary for Festival Hydro Inc. (FHI) – Q4 2018 and Q1 2019

Objective: To consider the financial reports from FHI for the period ending December 31, 2018, as well as the period ending March 31, 2019.

Background: City Council is updated quarterly on the financial position of FHI.

Analysis: As noted in the attached statements. Representatives of Festival Hydro will attend the meeting to answer questions.

Financial Impact: Not applicable.

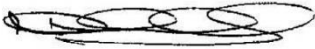
Staff Recommendation: **THAT the Festival Hydro Inc. 2018 audited financial statements and commentary for the period ending December 31, 2018, be approved by City Council;**

That the Festival Hydro Inc. financial statements and commentary for the period ending March 31, 2019, be received for information;

THAT the attached Resolution of the Sole Shareholder of Festival Hydro Inc. be signed by the Mayor and Clerk;

THAT the financial statements of Festival Hydro Inc. as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted;

AND THAT all acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.



Michael Humble, Director of Corporate Services



Rob Horne, Chief Administrative Officer



Financial Statements

Prepared For:

Tom Clifford and the Finance & Labour Relations Committee

May 2019

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Financial Statement Commentary for the year ended
December 31, 2018

Net income for the year is \$2.47M, which is \$494K ahead of the YTD budget.

BALANCE SHEET COMMENTARY:

Unbilled revenue – At year end, unbilled revenue can be trued up to actual utilizing billing stats reports that track amounts billed at the various rates, including the calendar year rate change. The amount unbilled at the end of 2018 (i.e. 2018 consumption not billed until 2019) was approximately \$477K less than the 2017 unbilled. During 2018 some account billing cycles were adjusted which would impact the quantity of consumption unbilled at any month end. In addition, this true up of unbilled revenue to actual results in the true-up of the commodity variance accounts to actual as well.

Regulatory Assets – Regulatory assets are slightly more than the balance at the end of 2017. This asset balance is largely based on approved 2017 LRAM revenues to be recovered in 2019, and accrued LRAM revenues for 2018 to be approved through the 2020 IRM process and recovered through 2020 rates. Another significant regulatory asset that is building is the approved variance for OEB costs above the OEB costs approved in our last COS application. This receivable can be disposed of during our next COS process.

Deferred Revenue – This balance has increased over 2017 as a result of the high volume of contributed capital in 2018 as a result of an increase in customer driven and subdivision work.

Corporate PILS and Future PILS – The current tax is in a payable position at the end of 2018 as a result of higher taxable income, resulting in an amount of tax owing at the end of 2018, and covered by an instalment made to the ministry of finance in February of 2019. The future PILS expense calculates the tax owing in the future on timing differences between accounting balances and tax balances. This amount moved to a liability position in 2018 as a result of the deferral of tax resulting from accounting depreciation differences to tax CCA deductions being offset by lower tax assets relating to the future tax on employee future benefits.

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Financial Statement Commentary- cont'd

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The gross margin on service revenue (or Distribution Revenue) is ahead of budget by \$169K. This is largely the result of additional LRAM revenues approved from 2017 over the amount accrued into 2017 (\$117K).

Other Revenue – is ahead of budget by \$667K. This is mainly due to a \$433K CDM incentive received in 2018 pertaining to results achieved in the conservation program run by Festival that were not budgeted. The remaining amount ahead of budget relates to engineering expenses charged out on some larger projects that were not anticipated in the budget in addition to an accounting adjustment to move expenses and rate of return revenue billed to third parties out of contributed capital and into the income statement.

Operating and Maintenance (O & M) Expenses – O&M costs are \$208K over budget. Costs were incurred relating to inspection of the transformer station and resulting maintenance costs from this inspection which were not included in the budget. Pole, vault and infrared inspections and resulting maintenance costs also contribute to this variance from budget. In addition, a GIS resource originally considered in the capital budget was moved into O&M as a result of the variety of work performed by the resource making operations expense a better match for these costs.

Billing, Collecting & Admin Costs – Billing and collecting & admin costs are \$154K over budget. Most of this cost is as a result of amending prior indirect tax filings. While the amount was unbudgeted, it was approved during 2018 as an expense of 2018 by the Board. The additional amount over budget is a result of a service contract being budgeted at a rate lower than the final agreed upon rate.

Income tax expense – The 2018 tax estimate is \$130K greater than budget. This is partially the result of more taxable income in the 2018 preliminary figures as compared to budget.

Festival Hydro Inc.**Balance Sheet***For the Year Ending December 31, 2018*

	2017	2018 Final
ASSETS		
Current		
Accounts Receivable	5,859,895	5,863,376
Inventory	23,084	96,644
Prepaid Expenses	395,407	486,259
Due from FHSI	176,984	164,718
Corporate PILS Recoverable	50,654	(107,490)
Unbilled Revenue	7,964,691	7,487,743
	<u>14,470,712</u>	<u>13,991,250</u>
Property, Plant & Equipment	52,353,164	53,711,085
Intangible Assets	2,184,875	2,096,216
Future payments in lieu of income taxes	294,815	(308,504)
Regulatory Assets	725,018	769,668
Total Assets	70,028,583	70,259,715
LIABILITIES		
Current		
Bank Indebtedness	4,171,980	2,527,544
Accounts Payable & Accrued Liabilities	6,975,251	7,775,448
Current Portion of Consumer Deposits	1,143,770	1,246,504
Current Portion of Long Term Loans	598,979	621,320
Dividends Declared	210,480	210,480
Promissory Note	15,600,000	15,600,000
	<u>28,700,458</u>	<u>27,981,296</u>
Unrealized loss on interest rate swap	583,448	462,671
Deferred Revenue	883,419	1,420,742
Employee Future Benefits	1,422,778	1,287,745
Long Term Debt		
Consumer Deposits over one year	313,671	120,337
RBC Loan - LT Portion	11,749,000	11,302,000
Infrastructure Ontario Loan - LT Portion	1,292,945	1,118,625
	<u>13,355,615</u>	<u>12,540,962</u>
Equity		
Share Capital - Common	9,468,388	9,468,388
Share Capital - Preferred	6,100,000	6,100,000
Retained Earnings	9,717,322	11,118,396
Accumulated Other Comprehensive Income	(202,843)	(120,485)
	<u>25,082,867</u>	<u>26,566,299</u>
Total Liabilities & Equity	70,028,583	70,259,715

Festival Hydro Inc.
Income Statement
For the Year Ending December 31, 2018

	2017	2018 Budget	2018 Final	Actual to Budget
REVENUE				
SERVICE REVENUE	81,961,557	87,615,495	79,567,178	(8,048,317)
COST OF POWER	71,071,415	76,367,434	68,149,863	(8,217,571)
GROSS MARGIN (DISTRIBUTION REVENUE)	10,890,142	11,248,061	11,417,315	169,254
OTHER OPERATING REVENUE	965,809	946,829	1,614,297	667,468
OPERATING & MAINTENANCE EXPENSE				
TRANSFORMER & DISTRIBUTION STATION EXPENSE	142,719	129,020	174,160	45,140
DISTRIBUTION LINES & SERVICES OVERHEAD	1,282,706	1,358,093	1,430,103	72,010
U/G DISTRIBUTION LINES & SERVICES.	178,859	180,049	227,591	47,542
DISTRIBUTION TRANSFORMERS	48,611	43,392	140,767	97,375
DISTRIBUTION METERS	429,228	425,166	406,202	(18,964)
CUSTOMER PREMISES	186,665	258,778	223,182	(35,596)
TOTAL OPERATING AND MAINTENANCE	2,268,788	2,394,498	2,602,005	207,507
ADMINISTRATION				
BILLING, COLLECTING & METER READING	1,272,765	1,323,530	1,188,728	(134,802)
ADMINISTRATION	2,157,275	2,307,638	2,596,830	289,192
TOTAL ADMINISTRATION	3,430,040	3,631,168	3,785,558	154,390
ALLOCATED DEPRECIATION	(147,927)	(161,350)	(160,250)	1,100
TOTAL CONTROLLABLE COST	5,550,901	5,864,316	6,227,313	362,997
NET INCOME BEFORE DEP'N, INTEREST & TAX	6,305,050	6,330,574	6,804,299	473,725
DEPRECIATION	2,428,056	2,494,960	2,548,768	53,808
INTEREST EXPENSE	1,722,683	1,694,103	1,704,052	9,949
INTEREST INCOME	(27,024)	(34,001)	(45,358)	(11,357)
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	2,181,335	2,175,512	2,596,837	421,325
CURRENT TAX	231,000	195,000	325,400	130,400
NET INCOME BEFORE SWAP & ICM	1,950,335	1,980,512	2,271,437	290,925
UNREALIZED GAIN/LOSS ON SWAP	(223,711)	-	(120,777)	(120,777)
MARKETABLE SECURITY - RECORDED AS OCI	67,822	-	(82,358)	(82,358)
NET INCOME	2,106,224	1,980,512	2,474,572	494,060

Festival Hydro Inc.

Cash Flow

For the Year Ending December 31, 2018

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.55	Less than 0.65
Infrastructure Ont Compliance - Debt to Equity Test	39:61	Less than 75:25
Infrastructure Ont Compliance - Debt Service Ratio	1.71X	Not less than 1.30X

	2017 Actual	2018 Final
Cash from Operations		
Net Income	2,106,228	2,474,572
Depreciation	2,409,159	2,548,768
Unrealized loss on interest rate swap	(155,889)	(120,777)
Net Change in Receivables/Payables/Var Accts	(1,693,536)	1,555,865
Contributed capital	378,468	537,323
Total Cash Provided	3,044,430	6,995,751
Loan Repayments	579,948	598,979
Cash Used - Capital Expenditures	2,908,329	3,761,196
Cash Used - Dividends paid	1,119,000	991,140
	4,607,277	5,351,315
Increase (Decrease) in Cash Position	(1,562,847)	1,644,436
Bank Indebtedness, Beg of Period	(2,609,133)	(4,171,980)
Bank Indebtedness, End of Period	(4,171,980)	(2,527,544)

Financial Statements of



Year ended December 31, 2018



KPMG LLP
 140 Fullarton Street Suite 1400
 London ON N6A 5P2
 Canada
 Tel 519 672-4800
 Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Festival Hydro Inc.

Qualified Opinion

We have audited the financial statements of Festival Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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 International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 25, 2019

Festival Hydro Inc.

Statement of Financial Position

December 31, 2018, with comparative information for December 31, 2017

	Notes	2018	2017
Assets			
Accounts receivable	6,22	\$ 5,754,511	\$ 5,601,771
Unbilled revenue	22	7,487,743	7,964,690
Inventories	7	96,644	23,083
Prepaid expenses		486,259	395,406
Income tax receivable		-	50,654
Due from corporations under common control	20	164,717	176,984
Total current assets		13,989,874	14,212,588
Non-current assets			
Property, plant and equipment	8	53,711,085	52,353,164
Intangible assets and goodwill	9	2,096,216	2,184,875
Deferred tax assets		-	187,685
Total non-current assets		55,807,301	54,725,724
Total assets		69,797,175	68,938,312
Regulatory balances	13	1,112,545	1,151,528
Total assets and regulatory balances		\$70,909,720	\$70,089,840

Festival Hydro Inc.

Statement of Financial Position

December 31, 2018, with comparative information for December 31, 2017

	Notes	2018	2017
Liabilities and Equity			
Bank indebtedness	5	\$2,527,543	\$4,171,980
Accounts payable and accrued liabilities	22	6,937,778	6,266,330
Deferred revenue		33,679	26,935
Income Tax Payable		107,490	-
Dividend payable	15,20	210,480	210,480
Current portion of long-term debt	14,22	16,221,320	16,198,978
Customer deposits	11	1,246,503	1,143,770
Due to the Corporation of the City of Stratford	20	728,808	450,793
Total current liabilities		28,013,601	28,469,266
Non-current liabilities			
Deferred revenue		1,387,064	856,484
Customer deposits	11	120,337	313,671
Deferred tax liabilities	10	226,750	-
Employee future benefits	12	1,287,745	1,422,778
Unrealized loss on interest rate swap	22	462,671	583,448
Long-term debt	14,22	12,420,625	13,041,944
Total non-current liabilities		15,905,192	16,218,325
Total liabilities		43,918,793	44,687,591
Share capital	15	15,568,388	15,568,388
Accumulated other comprehensive loss		(120,485)	(202,843)
Retained earnings		11,118,393	9,717,321
Total equity		26,566,296	25,082,866
Total liabilities and equity		70,485,089	69,770,457
Regulatory balances	13	424,631	319,383
Total liabilities, equity and regulatory balances		70,909,720	\$70,089,840

Financial instruments and risk management (note 22)

Commitments and contingencies (note 23)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Director

Director

Festival Hydro Inc.

Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	Notes	2018	2017
Revenues			
Sales of energy	16	\$ 68,729,423	\$ 69,803,902
Distribution revenue	16	11,417,316	10,890,142
Other income	17	1,604,522	961,303
		81,751,261	81,655,347
Cost of power purchased		68,149,865	71,071,415
Operating expenses	18	6,227,314	5,550,898
Depreciation and amortization	8,9	2,548,768	2,428,056
		76,925,947	79,050,369
Income from operating activities		4,825,314	2,604,978
Finance income	19,20	142,291	234,972
Finance costs	19,20	1,691,326	1,714,530
Income before income taxes		3,276,279	1,125,420
Income tax expense	10	718,011	627,691
Net income		2,558,268	497,729
Net movement in regulatory balances:			
Net movement in regulatory balances	13	(558,667)	1,279,630
Income tax	10,13	392,611	396,691
Net income and net movement in regulatory balances		2,392,212	2,174,050
Other comprehensive income (loss)			
Items that will not be reclassified to profit and loss:			
Remeasurements of employee future benefits	12	82,358	(67,822)
Tax on remeasurements	10	(21,825)	17,973
Net movement in regulatory balances	13	21,825	(17,973)
Other comprehensive income (loss)		82,358	(67,822)
Total comprehensive income		\$ 2,474,570	\$2,106,228

The accompanying notes are an integral part of these financial statements.

Festival Hydro Inc.

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for December 31, 2017

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2017	\$ 15,568,388	\$ 8,534,411	\$ (135,021)	\$ 23,967,778
Net income after net movements in regulatory balances	–	2,174,050	–	2,174,050
Other comprehensive loss	–	–	(67,822)	(67,822)
Dividends, paid or payable	–	(991,140)	–	(991,140)
Balance at December 31, 2017	\$ 15,568,388	\$ 9,717,321	\$ (202,843)	\$ 25,082,866
Balance at January 1, 2018	\$ 15,568,388	\$ 9,717,321	\$ (202,843)	\$ 25,082,866
Net income after net movements in regulatory balances	–	2,392,212	–	2,392,212
Other comprehensive income	–	–	82,358	82,358
Dividends, paid or payable	–	(991,140)	–	(991,140)
Balance at December 31, 2018	\$15,568,388	\$11,118,393	\$ (120,485)	\$ 26,566,296

The accompanying notes are an integral part of these financial statements.

Festival Hydro Inc.

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	Notes	2018	2017
Operating activities			
Net income after net movement in regulatory balances		\$ 2,392,212	\$ 2,174,050
Adjustments for			
Depreciation - property, plant and equipment	8	2,238,663	2,152,810
Amortization - intangible assets	9	310,105	275,244
Amortization of deferred revenue		(47,985)	(18,897)
Employee future benefits		(52,675)	(46,583)
Net finance costs	19	1,549,035	1,479,558
Income tax expense	10	718,011	627,691
		7,107,366	6,643,873
Changes in non-cash operating working capital			
Accounts receivable		(152,740)	(76,248)
Unbilled revenue		476,947	1,604,793
Inventories		(73,561)	51,434
Prepaid expenses		(90,853)	(10,079)
Accounts payable and accrued liabilities		671,448	(2,301,494)
Due from related parties		12,267	(80,095)
Due from the City of Stratford		278,014	(89,020)
Customer deposits		(90,601)	550,006
		1,030,921	(350,703)
Regulatory balances	13	166,058	(1,676,321)
Interest paid		(1,691,326)	(1,714,530)
Interest received		21,515	11,261
Income tax paid, net of refund		(167,357)	(247,621)
Net cash from operating activities		6,467,177	2,665,959
Investing activities			
Purchase of property, plant and equipment	8	(3,596,584)	(2,584,357)
Purchase of intangible assets	9	(221,446)	(323,971)
Contributions received from customers, net of repayments		585,407	378,469
Net cash from investing activities		(3,232,623)	(2,529,859)
Financing activities			
Dividends paid	15	(991,140)	(1,119,000)
Repayment of long-term debt		(598,977)	(579,947)
Net cash from financing activities		(1,590,117)	(1,698,947)
Decrease (increase) in bank indebtedness during the year		1,644,437	(1,562,847)
Bank indebtedness, beginning of the year		(4,171,980)	(2,609,133)
Bank indebtedness, end of the year		\$ (2,527,543)	\$ (4,171,980)

The accompanying notes are an integral part of these financial statements.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

1. Reporting entity:

Festival Hydro Inc. (the "Corporation") is a wholly-owned subsidiary of the City of Stratford. The Corporation was incorporated on July 11, 2000 under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act Laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 187 Erie Street, Stratford, Ontario, Canada.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys and Zurich, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the Ontario Energy Board and adjustments to the Corporation's distribution and power rates require OEB approval.

The financial statements are for the Corporation as at and for the year ended December 31, 2018.

2. Basis of preparation:

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on April 25, 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Note 3(l)	Determination of the performance obligation for contribution and the related amortization period
Note 6	Receivables: estimates of customer usage for unbilled revenue.
Note 6	Estimate for impairment for uncollected amounts, based on the lifetime expected credit losses
Note 8	Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
Note 8	Leases: whether an arrangement contains a lease
Note 9	Intangible assets: useful lives and goodwill impairment testing.
Note 12	Employee future benefits: measurement of the defined benefit obligation using key actuarial assumptions.
Note 13	Recognition and measurement of regulatory assets and liabilities.
Note 22	Recognition and measurement of commitments and contingencies.

2. Basis of preparation (continued)

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, amongst other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain classes of customers for the debt retirement charges. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

(f) Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each class. The COS application is reviewed by the OEB and interveners on record. Rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, the Corporation has chosen to file a Price Cap Incentive Rate Mechanism ("IRM") application. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

On May 27, 2014, the Corporation filed its 2015 Cost of Service application. The OEB issued its final Decision and Order dated June 5, 2015. The Decision allows for a total service revenue requirement of \$11,210,828 based on a total rate base of \$61,778,759. The deemed debt portion of the rate base (60%) at \$27,067,256 earns a weighted average rate of 4.05%. The deemed equity portion of the rate base (40%) at \$24,711,504 earns a deemed return on equity of 9.30%. The rates were effective May 1, 2015 with an implementation date of June 1, 2015.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

2. Basis of preparation (continued)

(f) Rate setting (continued)

Distribution revenue (continued)

Festival filed its 2018 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2018. The Corporation's approved adjustment to distribution rates was 0.75%, as a result of an OEB approved inflation factor of 1.20%, less a stretch factor of 0.45% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Festival filed its 2019 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2019. The Corporation's approved adjustment to distribution rates was 1.05%, as a result of an OEB approved inflation factor of 1.50%, less a stretch factor of 0.45% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity and the global adjustment. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently for both years presented in these financial statements in accordance with IFRS.

(a) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continue):

(a) Regulatory balances (continued)

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts. On the statement of cash flows, cash and cash equivalents includes bank overdrafts (revolving credit facility) that are repayable on demand and form an integral part of the Corporation's cash management.

(c) Financial instruments

All financial assets are classified as loans and receivables, except for marketable securities which are classified as available for sale and derivatives which are measured as fair value through profit and loss. All financial liabilities are classified as other financial liabilities. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs.

Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method less any impairment for the financial assets.

Available for sale financial assets are subsequently measured at fair value, within the changes therein recognized in other comprehensive income until the assets are sold. Upon sale of an available for sale asset, the Corporation has elected to record the accumulated unrealized change in value of the asset as a transfer through other comprehensive income into profit and loss.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in the statement of comprehensive income. Hedge accounting has not been used in the preparation of these financial statements.

(d) Inventories

Inventories are stated at lower of cost and net realizable value and consist of maintenance materials and supplies. Cost is determined on a weighted average basis, net of a provision for obsolescence, as applicable. The Corporation classifies all major construction related component of its electricity distribution infrastructure to property, plant and equipment.

(e) Property, plant and equipment ("PP&E")

Items of property, plant and equipment used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

3. Significant accounting policies (continued):

(e) Property, plant and equipment ("PP&E")

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's cost of borrowing. For construction projects of less than one year in length, borrowing costs are not capitalized unless specific identifiable loans are acquired for the express purpose of financing a specific construction activity.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction in progress assets are not amortized until the project is complete and in service.

Depreciation begins when an asset becomes available for use. Depreciation is provided on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years are as follows:

Buildings	10 to 60 years
Distribution substation equipment	30 to 60 years
Distribution system equipment	30 to 60 years
Transformers	35 to 40 years
Meters	15 to 40 years
Other capital assets	4 to 20 years

Other capital assets include vehicles, office and computer equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within other income in the statement of comprehensive income.

3. Significant accounting policies (continued):

(f) Intangible assets

Intangible assets include goodwill, computer software and capital contributions paid under capital cost recovery agreements ("CCRAs").

(i) Goodwill

Goodwill represents the excess of cost over fair value of net assets which arose upon amalgamation of the former electrical distribution entities. Goodwill is measured at cost less accumulated impairment losses.

(ii) Computer software

Computer software acquired prior to January 1, 2014, is measured at deemed cost less accumulated depreciation. All other software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Capital contributions paid under capital cost recovery agreements ("CCRAs")

Capital contributions paid under CCRAs are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

Computer software	5 years
CCRAs	15 to 25 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted if appropriate.

(g) Impairment

(i) Financial assets measured at amortized cost

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than regulatory assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated as at December 31 of each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it has one cash generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Employee benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"). The Fund is a contributory defined benefit pension plan which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

3. Significant accounting policies (continued):

(i) Pension plan

OMERS is a defined benefit plan, however, as the plan assets and pension obligations are not segregated in separate accounts for each member entity, sufficient information is not available to enable the Corporation to directly account for the plan. As such, the plan has been accounted for as a defined contribution plan. The contribution payable is recognized as an employee benefit expense in the statement of comprehensive income in the period in which the service was rendered by the employee, since it is not practicable to determine the Corporation's portion of person obligations of the fair value of plan assets.

(ii) Employee future benefits, other than pension (continued)

The Corporation has an unfunded benefit plan providing post-employment benefits (other than pension) to its employees. The Corporation provides its retired employees (20 years service; less than age 65) with life insurance and medical benefits beyond those provided by government sponsored plans. Life insurance is provided for current retirees including those over age 65.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(j) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction. The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to other income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Customer deposits

Security deposits from electricity customers are cash collections to guarantee the payment of electricity bills. The electricity customer security deposits liability includes related interest amounts, calculated using OEB prescribed interest rates, and owed to the customers with a corresponding amount charged to finance costs. Deposits that are refundable upon demand are classified as a current liability. Annually, accrued interest is applied directly to the customers' accounts.

3. Significant accounting policies (continued):

(k) Customer deposits (continued)

Security deposits on offers to connect are cash collections from specific customers to guarantee the payment of additional costs relating to expansion projects. This liability includes related interest amounts owed to the customers with a corresponding amount charged to finance costs. Deposits are classified as a current liability when the Corporation no longer has an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

(l) Revenue Recognition

(i) Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

(ii) Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

3. Significant accounting policies (continued):

(l) Revenue Recognition (continued)

(iii) *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered. Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(m) Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on customer deposits, the demand notes payable, revolving credit facility and long-term borrowings.

Changes in the fair value of interest rate swap agreements are recorded either in finance income, or costs, depending on whether an unrealized gain or loss is required.

(o) Income taxes

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to other comprehensive income or items recognized directly in equity, in which case, it is recognized in accumulated comprehensive income or retained earnings, respectively.

3. Significant accounting policies (continued):

(o) Income taxes (continued)

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Income taxes (continued)

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded to or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits associated with reduced revenues resulting from the realization of deferred tax assets is recorded within regulatory credit or debt balances. Deferred taxes that are not included in the rate-setting process are charged or credited to the statements of comprehensive income.

The benefits of the refundable and non-refundable apprenticeship and other ITCs are credited against the related expense in the statements of comprehensive income.

(p) Change in accounting policies

The Corporation has adopted the following amendments to standards, with a date of initial application of January 1, 2018:

(i) *IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments*

The Corporation has initially applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018 on a retrospective basis. The following practical expedients have been used in the initial application of these new standards:

For completed contracts, the Corporation did not restate contracts that:

- (i) Began and ended within the same annual reporting period; or
- (ii) Were completed at the beginning of January 1, 2016.

The amendments did not result in a material impact on the financial statements.

3. Significant accounting policies (continued):

(p) Change in accounting policies (continued)

(ii) *Annual Improvements to IFRS Standards (2014-2016) Cycle*

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Clarification that IFRS 12 Disclosures of Interests in Other Entities also applies to interests that are classified as held for sale, held for distribution, or discontinued operations became effective retrospectively for annual periods beginning on or after January 1, 2017. The remaining two amendments relate to IFRS 1 and IAS 28.

Removal of out-dated exemptions for first time adopters under IFRS 1 First-time Adoption of International Financial Reporting Standards, effective for annual periods beginning on or after January 1, 2018; and

Clarification that the election to measure an associate or joint venture at fair value under IAS 28 Investments in Associates and Joint Ventures for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Corporation adopted these amendments in its financial statements for the annual period beginning on January 1, 2018. The amendments did not result in a material impact on the financial statements.

4. Standards issued but not yet adopted:

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

(i) IFRS 16 Leases

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The Corporation is still evaluating the impact of this standard on its statements.

4. Standards issued but not yet adopted (continued):

(ii) Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

5. Bank indebtedness:

	2018	2017
Cash	\$ 1,660	\$ 1,660
Revolving credit facility	(2,529,203)	(4,173,640)
Bank indebtedness	\$ (2,527,543)	\$ (4,171,980)

6. Accounts receivable:

	2018	2017
Energy, water and sewer	\$ 5,446,578	\$ 5,341,354
Other	307,933	260,417
Total	\$ 5,754,511	\$ 5,601,771

Included in accounts receivable is \$1,065,739 (2017 - \$949,564) of customer receivables for water consumption and sewer ("water & sewer") that the Corporation bills and collects on behalf of the City of Stratford and the Town of St. Marys. As the Corporation does not assume liability for collection of these amounts, any amount related to City of Stratford and Town of St. Marys water & sewer charges that are determined to be uncollectible are charged to the City of Stratford and Town of St. Marys, respectively. At year end, there is nil (2017 - nil) included in the provision for impairment for uncollectable amounts relating to water and sewer.

7. Inventories:

The amount of inventories consumed by the Corporation and recognized as an expense during 2018 was \$135,976 (2017 - \$117,938). During 2018, an amount of nil (2017 - nil) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

8. Property, plant and equipment:

a) Cost or deemed cost

	Land and buildings	Distribution substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2017	\$1,995,711	\$39,279,342	\$2,622,108	\$13,935,158	\$57,832,319
Additions	126,216	2,317,998	140,143	-	2,584,357
Transfers	-	-	47,427	-	47,427
Disposals/retirements	(11,442)	(5,037)	(54,133)	-	(70,612)
Balance at December 31, 2017	\$2,110,485	\$41,592,303	\$2,755,545	\$13,935,158	\$60,393,491
Balance at January 1, 2018	\$2,110,485	\$41,592,303	\$2,755,545	\$13,935,158	\$60,393,491
Additions	183,588	2,876,564	474,297	5,300	3,539,749
Transfers	-	-	56,835	-	56,835
Disposals/retirements	(11,465)	(1,577)	(213,109)	-	(226,151)
Balance at December 31, 2018	\$2,282,608	\$44,467,290	\$3,073,568	\$13,940,458	\$63,763,924

b) Accumulated depreciation

	Land and buildings	Distribution substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2017	\$ 101,107	\$ 4,210,054	\$ 713,091	\$ 933,877	\$ 5,958,129
Depreciation	47,532	1,491,783	293,306	320,189	2,152,810
Disposals/retirements	(11,442)	(5,037)	(54,133)	-	(70,612)
Balance at December 31, 2017	\$ 137,197	\$ 5,696,800	\$ 952,264	\$ 1,254,066	\$ 8,040,327
Balance at January 1, 2018	\$ 137,197	\$ 5,696,800	\$ 952,264	\$ 1,254,066	\$ 8,040,327
Depreciation	57,297	1,561,751	299,427	320,188	2,238,663
Disposals/retirements	(11,465)	(1,577)	(213,109)	-	(226,151)
Balance at December 31, 2018	\$ 183,029	\$ 7,256,974	\$ 1,038,582	\$ 1,574,254	\$ 10,052,839

c) Carrying amounts

	Land and buildings	Distribution substation equipment	Other distribution system equipment	Transformer station	Total
December 31, 2017	\$ 1,973,288	\$35,895,503	\$ 1,803,281	\$12,681,092	\$52,353,164
December 31, 2018	2,099,579	37,210,316	2,034,986	12,366,204	53,711,085

d) Borrowing costs

During the year, no borrowing costs (2017 – nil) were capitalized as part of the cost of property, plant and equipment.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

9. Intangible assets and goodwill:

a) Cost or deemed cost

	Goodwill	Computer software	CCRA's	Total
Balance at January 1, 2017	\$ 515,359	\$1,153,287	\$ 966,935	\$2,635,581
Additions	-	323,971	-	323,971
Disposals	-	(34,097)	-	(34,097)
Balance at December 31, 2017	\$ 515,359	\$1,443,161	\$ 966,935	\$2,925,455
Balance at January 1, 2018	\$ 515,359	\$1,443,161	\$ 966,935	\$2,925,455
Additions	-	221,446	-	221,446
Disposals	-	(82,899)	-	(82,899)
Balance at December 31, 2018	\$ 515,359	\$1,581,708	\$ 966,935	\$3,064,002

b) Accumulated amortization

	Goodwill	Computer software	CCRA's	Total
Balance at January 1, 2017	\$ -	\$ 343,306	\$ 156,127	\$ 499,433
Amortization	-	220,771	54,473	275,244
Disposals	-	(34,097)	-	(34,097)
Balance at December 31, 2017	\$ -	\$ 529,980	\$ 210,600	\$ 740,580
Balance at January 1, 2018	\$ -	\$ 529,980	\$ 210,600	\$ 740,580
Amortization	-	255,634	54,471	310,105
Disposals	-	(82,899)	-	(82,899)
Balance at December 31, 2018	\$ -	\$ 702,715	\$ 265,071	\$ 967,786

c) Carrying amounts

	Goodwill	Computer software	CCRA's	Total
December 31, 2017	\$ 515,359	\$ 913,181	\$ 756,335	\$2,184,875
December 31, 2018	515,359	878,993	701,864	2,096,216

d) Goodwill impairment

Management has determined that the Corporation's rate regulated operations are one cash generating unit. Therefore, the goodwill was allocated to the Corporation as a whole. The annual impairment test is based on the Corporation's value in use. Value in use was determined by discounting the future cash flows of the Corporation and was based on the following key assumptions:

A detailed valuation of the Corporation was undertaken during 2018 based on financial results of the Corporation as at December 31, 2015. Cash flows were projected based on actual operating results and the cost of capital and rate of return as approved in the 2015 Cost of Service application. A discounted cash flow model was utilized based on free cash flows for 20 years, followed by a terminal value calculated based on a steady-state cash flow, with the terminal value within range of market-based terminal multiples. The recoverable amount of the Corporation was determined to be greater than the carrying value of goodwill and no impairment was recorded as at December 31, 2018 or December 31, 2017.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

10. Income taxes:

	2018	2017
Income tax expense		
Current tax expense:		
Current year	\$325,400	\$225,630
Prior year	-	5,370
Total current tax expense	325,400	231,000
Deferred tax expense:		
Change in recognized deductible temporary differences	392,611	396,691
Total current and deferred income tax in profit or loss, before movement of regulatory balance	718,011	627,691
Other comprehensive income:		
Employee future benefits	21,825	(17,973)
Total current and deferred tax, before movement in regulatory balances	739,836	609,718
Net movement in regulatory balances	(414,436)	(378,718)
Income tax expense recognized in statement of comprehensive Income	\$325,400	\$231,000

Reconciliation of effective tax rate

	2018	2017
Income before taxes	\$2,799,970	\$2,337,228
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income tax at statutory rates	741,992	619,365
Increase (decrease) in income tax resulting from:		
Permanent differences	2,414	1,186
Recognized deductible temporary difference due from customers	(414,436)	(378,718)
Other	(4,570)	(10,833)
Income tax expense	325,400	\$ 231,000

	2018	2017
Deferred tax assets (liabilities):		
Property, plant, equipment and intangible assets	(\$723,297)	(\$396,289)
Employee future benefits	341,251	377,036
Other	155,296	206,938
	(\$226,750)	\$187,685

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

Customer deposits comprise:

	2018	2017
Electricity deposits	\$ 844,441	\$ 905,989
Construction deposits	522,399	551,452
Total customer deposits	\$1,366,840	\$1,457,441
Consisting of:		
Short-term	\$1,246,503	\$1,143,770
Long-term	120,337	313,671

12. Employee future benefits:

(a) Employee future benefits, other than pension

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the corresponding expense were based on results and assumptions determined by actuarial valuation as at December 31, 2018.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2018	2017
Defined benefit obligation, beginning of year	\$ 1,422,778	\$ 1,401,539
Included in profit or loss:		
Current service cost	23,323	20,844
Interest cost	46,295	51,008
	69,618	71,852
Included in OCI:		
Actuarial (gains) losses arising from changes in financial assumptions	(82,358)	67,822
Benefits paid during the year	(122,293)	(118,435)
Defined benefit obligation, end of year	\$1,287,745	\$1,422,778

12. Employee future benefits (continued):

(a) Employee future benefits, other than pension (continued)

The significant actuarial assumptions used in the valuation are as follows:

	2018	2017
Discount rate	3.90%	3.40%
Rate of compensation increase	2.50%	2.50%
Initial health care cost trend rate	5.78%	5.99%
Cost trend rate declines to	4.50%	4.50%
Year that rate reaches the rate it is assumed to be	2025	2025
Health and dental benefit cost trend rate	4.50%	4.50%

Significant actuarial assumptions for benefit obligation measurement purposes are the discount rate and assumed medical and dental cost trend rates. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions, in isolation of one another, occurring at the end of the reporting period. This analysis may not be representative of the actual change since it is unlikely these changes in assumptions would occur in isolation from each other. The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	2018	2017
Benefit Obligation, end of year	\$1,287,745	\$1,422,778
1% increase in health care trend rate	40,900	38,700
1% decrease in health care trend rate	(37,200)	(35,400)
1% increase in discount rate	(139,400)	(158,600)
1% decrease in discount rate	175,100	201,200

(b) Pension plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). The plan is a multi-employer, contributory defined benefit pension plan. In 2018, the Corporation made employer contributions of \$363,826 to OMERS (2017 - \$340,390). The Corporation's net benefit expense has been allocated as follows:

- \$138,254 (2017 - \$132,752) capitalized as part of PP&E
- \$185,551 (2017 - \$173,599) charged to operating expenses
- \$40,021 (2017 - \$34,039) charged to CDM and billable work

As at December 31, 2018, OMERS states that their plan was 96% funded (2017 – 94%). OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions. The Corporation's contributions represent less than 1% of the total annual contributions to the OMERS plan.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

13. Regulatory assets and liabilities:

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

In the tables below, the “Additions” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts collected through rate riders or transactions reversing an existing regulatory balance. The “Other movements” column consists of reclassification between the regulatory debit and credit balances. For the years ended December 31, 2018 and 2017, the Corporation did not record any impairments related to regulatory debit balances.

	January 1, 2018	Additions	Recovery/ reversal	Other Movements	December 31, 2018	Notes
Regulatory deferral account debit balances						
Settlement (Group 1) variances	\$776,668	\$ (96,199)	\$ (256,681)	\$ 44,818	\$ 468,606	(1)
Stranded meters	2,226	21	-	-	2,247	(2)
LRAM	254,111	235,635	(138,511)	-	351,235	(1)
Deferred Taxes	-	-	-	226,750	226,750	(4)
Rate application costs	118,523	1,584	(56,400)	-	63,707	(3)
	\$ 1,151,528	\$141,041	\$ (451,592)	\$271,568	\$ 1,112,545	

	January 1, 2017	Additions	Recovery/ reversal	Other Movements	December 31, 2017	Notes
Regulatory deferral account debit balances						
Settlement (Group 1) variances	\$ 339,241	\$ 498,916	\$ 792,238	\$ (853,727)	\$ 776,668	(1)
Stranded meters	2,213	13	-	-	2,226	(2)
LRAM	191,696	197,512	(135,097)	-	254,111	(1)
Rate application costs	173,224	1,699	(56,400)	-	118,523	(3)
	\$ 706,374	\$ 698,140	\$ 600,741	\$ (853,727)	\$ 1,151,528	

	January 1, 2018	Additions	Recovery/ reversal	Other Movements	December 31, 2018	Notes
Regulatory deferral account credit balances						
Deferred taxes	\$ (187,685)	\$ -	\$ 414,435	\$ (226,750)	\$ -	(4)
Settlement (Group 1) variances	(120,915)	(504,796)	256,681	(44,818)	(413,848)	(1)
IFRS transition adjustments	(10,783)	-	-	-	(10,783)	(5)
	\$ (319,383)	\$ (504,796)	\$ 671,116	\$ (271,568)	\$ (424,631)	

	January 1, 2017	Additions	Recovery/ reversal	Other Movements	December 31, 2017	Notes
Regulatory deferral account credit balances						
Deferred taxes	\$ (566,403)	\$ -	\$ 378,718	\$ -	\$ (187,685)	(4)
Settlement (Group 1) variances	(955,391)	772,988	(792,237)	853,725	(120,915)	(5)
IFRS transition adjustments	(10,783)	-	-	-	(10,783)	(6)
	\$ (1,532,577)	\$772,988	\$ (413,519)	\$ 853,725	\$ (319,383)	

13. Regulatory assets and liabilities (continued):

- 1) The changes in settlement (Group 1) and LRAM balances outstanding from December 31, 2015 to December 31, 2016 were approved for disposition as part of the 2018 IRM application with rates effective January 1, 2018 to be collected over a 12-month period.
- 2) As part of the 2015 COS application, the OEB approved the disposition of stranded meters through a rate rider effective May 1, 2015 (implemented June 1, 2015) with recovery over a 7-month period ending December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.
- 3) The 2015 COS rate application costs were approved for recovery by the OEB and are being amortized over a forty-three-month period ending December 31, 2019.
- 4) Disposition is not requested for the deferred tax balance as it is being reversed through timing differences in the recognition of deferred tax assets. No carrying charges are calculated on this balance.
- 5) As part of the 2015 COS application, the OEB approved the disposition of the account 1575/76 IFRS transition account balance used to record the difference arising on adoption of new asset useful lives and overhead rates and write off of end-of-life assets. These account balances were included as a rate rider effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.

Carrying charges are applied to all regulatory account balances at the OEB prescribed interest rates, with the exception of the deferred tax assets on which no carrying charges are applied.

As part of the Corporation's 2018 IRM application, the change in debit and credit balance settlement (Group 1) variance accounts occurring during fiscal 2016 were approved as part of 2018 distribution rates for recovery over a 12-month period commencing January 1, 2018. As such, the risk associated with the recovery of variance accounts is limited to the incremental value of non-settlement variances arising since 2016.

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

14. Long-term debt:

Long-term debt consists of the following:

	2018	2017
Subordinate, secured loan advances from Infrastructure Ontario Projects Corporation (OIPC), bearing interest at 4.4% per annum, with payments of principal and interest of \$100,585 due semi-annually, maturing June 15, 2025, secured by a general security agreement.	\$1,126,568	\$1,273,308
Subordinate, secured loan advances from Infrastructure Ontario Projects Corporation (OIPC), bearing interest at 3.98% per annum, with payments of principal and interest of \$13,733 due semi-annually, maturing October 1, 2025, secured by a general security agreement.	166,377	186,614
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 0.42%, payable in monthly principal instalments of approximately \$35,000 plus interest, increasing by \$1,000 yearly until maturity on May 31, 2038, secured by a general security agreement.	11,749,000	12,181,000
Notes payable to shareholder, bearing interest at 7.25% per annum, with interest payments only, due on demand, unsecured.	15,600,000	15,600,000
	28,641,945	29,240,922
Less: current portion	16,221,320	16,198,978
Long-term debt	\$12,420,625	\$13,041,944

Interest rate swap

The Corporation entered into an interest rate swap agreement on a notional principal of \$14,000,000 effective May 31, 2013, which matures May 31, 2038. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.93% plus stamping fee of 0.42% on the Royal Bank revolving term loan. The stamping fee is subject to change every 10 years, with the first maturity being May 31, 2023.

The Corporation has determined this swap does not meet the standard to apply hedge accounting. Since the standard is not met, the interest rate swap contract has been recorded at its fair value at December 31, 2018 with the unrealized gain for the year of \$120,777 (2017 gain – \$223,711) recorded as finance income in the statement of comprehensive income.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long- term debt	Dividends payable	Retained earnings	Total (financing cash flows)
Balance at January 1, 2018	\$ 29,240,922	\$ 210,480	\$ 9,717,321	
Dividends paid	-	(210,480)	(780,660)	\$ (991,140)
Repayments of long-term debt	(598,977)	-	-	(598,977)
Total changes from financing cash flows	\$ (598,977)	\$ (210,480)	\$ (780,660)	\$ (1,590,117)
Dividend declared but not paid	-	210,480	(210,480)	-
Net income after net movements in regulatory balances	-	-	2,392,212	-
Balance at December 31, 2018	\$ 28,641,945	\$ 210,480	\$ 11,118,393	

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

15. Share capital:

	2018	2017
Authorized:		
Unlimited Class A special shares, non-cumulative, 5.0%		
Unlimited Class B special shares		
Unlimited Common shares		
Issued:		
6,100 Class A special shares	\$ 6,100,000	\$ 6,100,000
6,995 Common shares	9,468,388	9,468,388
	\$ 15,568,388	\$15,568,388

Dividends paid on the 6,100 class A special shares during the year totalled \$305,000 (2017 - \$305,000). Dividends paid on the 6,995 common shares during the year totalled \$686,140 (2017 - \$814,000). A common share dividend was declared on December 15, 2018 and is payable on all common shares on record at December 31, 2018, with the dividend to be paid in 2019. The dividend amount payable at December 31, 2018 is \$210,480 (2017- \$210,480).

16. Revenue from Contracts with Customer:

The corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue are as documented in the table below.

	2018 Sale of Energy	2018 Distribution Revenue	2017 Sale of Energy	2017 Distribution Revenue
Residential	\$ 15,112,252	\$ 6,402,716	\$ 15,859,520	\$ 6,039,526
Commercial	50,793,952	4,560,172	51,722,206	4,588,008
Large Users	2,484,713	306,032	1,919,491	144,043
Other	338,506	148,396	302,685	118,565
	\$ 68,729,423	\$ 11,417,316	\$69,803,902	\$10,890,142

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

17. Other income:

	2018	2017
Collection, late payment and other service charges	\$ 206,015	\$ 226,021
Pole attachment and other rental income	176,242	187,134
Miscellaneous	758,477	515,100
Solar generation	30,745	33,048
CDM Performance Incentive	433,043	-
	\$1,604,522	\$961,303

Collection, late payment and other service charges are based on service charge rates and retailer rates as approved by the OEB. Pole attachment and other rentals consist primarily of pole attachment charges and charges for office and service centre space.

Miscellaneous includes revenues from City of Stratford and Town of St. Marys water and sewage billing services, street lighting services, management fees charged to Festival Hydro Services Inc. and other revenue sources.

The CDM performance incentive was received based on results of the Corporation at the mid-term review of the conservation framework.

18. Operating expenses:

	2018	2017
Salaries and benefits	\$ 3,122,417	\$ 2,583,922
External services	1,606,727	1,397,268
Materials and supplies	654,407	569,607
Other support costs	843,763	1,000,101
	\$6,227,314	\$5,550,898

Notes to the Financial Statements Year ended December 31, 2018

19. Finance income and costs:

	2018	2017
Interest income on loan to corporation under common control	\$ 10,316	\$ 4,851
Interest on bank account	4,356	2,402
Interest on written off trade receivables	6,842	3,607
Unrealized gain on interest rate swap	120,777	223,711
Other	-	401
Finance income	\$ 142,291	\$ 234,972
Interest expense on demand notes payable	\$1,131,000	\$1,131,000
Interest expense on long-term debt	460,809	495,011
Interest on revolving credit facility	69,910	61,269
Interest expense on deposits	13,815	8,700
Other interest expense	15,792	18,550
Finance costs	\$1,691,326	\$1,714,530
Net finance costs	\$1,549,035	\$1,479,558

20. Related party transactions:

a) Parent and ultimate controlling party

The parent and sole shareholder of the Corporation is the Corporation of the City of Stratford (the "City"). The City of Stratford produces financial statements that are available for public use.

b) Key management personnel

The key management personnel of the Corporation has been defined as members of its Board of Directors and executive management team members. Total compensation of key management in 2018 was \$609,486 (2017 - \$606,164).

20. Related party transactions (continued)

(c) Transactions with parent

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with the parent, City of Stratford, for the years ended December 31:

	2018	2017
Revenues:		
Energy sales	\$ 1,800,333	\$ 2,369,361
Water and sewer administration fee	487,994	479,848
Street lighting services	22,332	14,361
Service centre space rental	35,420	34,897
Total revenues	\$ 2,346,079	\$ 2,898,467
Expenses:		
Interest on demand notes payable	\$ 1,131,000	\$ 1,131,000
Property taxes	112,469	107,241
Tree trimming	56,417	70,142
Total expenses	\$ 1,299,886	\$ 1,308,383
	December 31, 2018	December 31, 2017
Receivable balances:		
Accounts receivable	\$ 92,426	\$ 165,088
Payable balances:		
Accounts payable and accrued charges	\$ 821,234	\$ 615,881
Demand notes payable	15,600,000	15,600,000
Dividends payable	210,480	210,480
Total payables	\$16,631,714	\$16,426,361
Dividends paid	\$ 991,140	\$ 991,140

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

20. Related party transactions (continued)

(d) Transactions with corporations under common control of the parent

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with Festival Hydro Services Inc., a wholly-owned subsidiary of the City of Stratford, for the years ended December 31:

	2018	2017
Revenues:		
Operational services	\$ 46,519	\$ 50,433
Management fee	52,251	55,322
Office and fibre room rentals	43,798	42,000
Joint pole rentals	38,639	35,950
Interest earned	10,316	4,851
Energy sales	12,836	21,132
Water billing and collection services	70,310	69,080
Total revenues	\$274,669	\$278,768
Expenses:		
Fiber and WIFI services	\$179,711	\$179,711
Information technology and management services	435,202	388,573
Total expenses	\$614,913	\$568,284
Receivable balance:		
	December 31, 2018	December 31, 2017
	\$164,717	\$176,984

21. Capital management:

The Corporation's main objectives when managing capital is to:

- ensure ongoing access to funding to maintain, refurbish and expand the electricity distribution system;
- ensure sufficient liquidity is available (either through cash and cash equivalents or committed credit facilities) to meet the needs of the business;
- ensure compliance with covenants related to its credit facilities; and
- prudent management of its capital structure with regard to recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation monitors forecasted cash flows, capital expenditures, debt repayment and key credit ratios. The Corporation manages capital by preparing short-term and long-term cash flow forecasts, statements of financial position and comprehensive statements of income. In addition, the Corporation accesses its revolving credit facility to fund net periodic net cash outflows and to maintain available liquidity.

There have been no changes in the Corporation's approach to capital management during the year. As at December 31, 2018, the Corporation's definition of capital included borrowings under its revolving credit facility, long-term debt and obligations including the current portion thereof, and equity, and had remained unchanged from the definition as at December 31, 2017. As at December 31, 2018, equity amounted to \$26,566,296 (2017 - \$25,082,866), borrowings in the form of demand notes payable and long-term debt, including the current portion thereof, amounted to \$28,641,945 (2017 - \$29,240,922) and the revolving credit facility amounted to \$2,527,543 (2017 - \$4,171,980).

21. Capital management (continued)

The OEB regulates the amount of deemed interest on debt and rate of return that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure and finance costs for the Corporation may differ from the OEB deemed structure.

The Corporation is subject to debt agreements that contain various covenants. The Corporation's credit agreement with Royal Bank provides a revolving demand facility, letter of guarantee which is posted with the IESO as prudential support, and a long-term loan facility. These combined facilities are subject to a funded indebtedness debt to equity ratio of no more than 65%. Long term lending arrangements with Infrastructure Ontario ("OICP") are subject to meeting a debt to equity test of no greater than 75:25 and debt servicing ratio of no less than 1.30 times.

The Corporation has customary covenants typically associated with long-term debt. As at December 31, 2018 and December 31, 2017, the Corporation was in compliance with all with all credit agreement covenants and limitations associated with its long-term debt.

22. Financial instruments and risk management

Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, and the revolving term facility, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these instruments. The fair values of customer deposits approximate their carrying amounts taking into account interest accrued on the outstanding balance. Cash and cash equivalents are measured at fair value.

The swap agreement is measured at fair value, which is provided by a third-party, banking institution and is based on market rates at the date of the valuation. The valuation of the interest rate swap resulted in an unrealized loss recorded on the statement of financial position at December 31, 2018 of \$462,671 (2017 - \$583,448).

The fair value of the long-term borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The carrying amounts and fair values of the Corporation's long term loans consist of the following:

22. Financial instruments and risk management (continued)

	2018	2017
Carrying amounts:		
Demand notes payable, 7.25%	\$15,600,000	\$15,600,000
OIPC 4.4% maturing June 15, 2025	1,126,568	1,273,308
OIPC 3.98% maturing October 1, 2025	166,377	186,614
Term Loan 2.93% maturing May 1, 2038 plus stamping fee of 0.42% maturing May 1, 2023	11,749,000	12,181,000
Total	\$28,641,945	\$29,240,922

	2018	2017
Fair values:		
Demand notes payable valued based on current revolving credit facility rate of 3.95%	\$17,762,232	\$18,742,155
OIPC 4.4% maturing June 15, 2025 using current OIPC 15-year rate of 3.20%	1,163,266	1,306,961
OIPC 3.98% maturing October 1, 2025, using current OIPC posted 15-year rate of 3.20%	169,842	188,883
Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023, booked at market value	12,211,671	12,764,447
Total	\$31,307,011	\$33,002,446

Financial risks

The following is a discussion of financial risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed. The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

a) Credit risk

The Corporation is exposed to credit risk as a result of the risk of counterparties defaulting on their obligations. The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation monitors and limits its exposure to credit risk on a continuous basis.

The Corporation's credit risk associated with accounts receivable and unbilled revenue is primarily related to electricity bill payments from electricity customers. The Corporation obtains security deposits from certain customers in accordance with direction provided by the OEB and as outlined in the Corporation's conditions of service. As of December 31, 2018, the Corporation held security deposits related to electricity receivables in the amount of \$844,441 (2017 - \$905,989).

As at December 31, 2018, there were no significant concentrations of credit risk with respect to any one customer. No single customer accounts for revenue in excess of 5% of total distribution revenue. The Corporation earns its

22. Financial instruments and risk management (continued)

(a) Credit risk (continued)

revenue from a broad base of approximately 21,000 customers (2017 - 21,000 customers) located throughout its service territory.

The credit risk and mitigation strategies with respect to unbilled revenue are the same as for accounts receivable. The credit risk related to cash is mitigated by the Corporation's treasury policies on assessing and monitoring the credit exposures of counterparties.

Credit risk associated with electricity accounts receivable and unbilled revenue (electricity only) is as follows:

	2018	2017
Not more than 30 days	\$4,061,996	\$4,186,044
More than 30 but less than 90 days	354,142	245,942
More than 90 days	94,579	94,821
Less allowance for impairment	(129,878)	(135,017)
Unbilled revenue	7,487,743	7,964,690
	\$11,868,582	\$12,356,480

As at December 31, 2018, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk and no additional allowance for impairment was required for these balances.

Reconciliation between the opening and closing allowance for impairment is as follows:

	2018	2017
Balance, beginning of year	\$ 135,017	\$ 135,621
Provision for impairment	49,527	99,501
Write offs	(78,104)	(117,417)
Recoveries	23,438	17,312
Balance, end of year	\$ 129,878	\$ 135,017

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at year end. Unbilled revenue is considered current and no provision for impairment was established as at December 31, 2018 (2017 – nil).

(b) Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its employee future benefit obligations (note 12). The Corporation is also exposed to short-term interest rate risk on the net of cash position and short-term borrowings under its Revolving Credit Facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

As at December 31, 2018, aside from the valuation of its employee future benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its revolving credit facility and customer deposits, while most of its remaining obligations were either non-interest bearing or bear fixed interest rates, and its financial assets were predominately short-term in nature and mostly non-interest bearing. The

22. Financial instruments and risk management (continued)

(b) Interest rate risk (continued)

Corporation estimates that a 100 basis point increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately \$24,850 (2017 - \$23,789) to annual finance costs. A decrease of 100 basis points would result in a reduction in financing costs of \$24,850 (2017 - \$23,789).

(c) Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and monitors cash balances daily. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing finance costs.

The Corporation has a revolving credit facility available of \$10,000,000 with a Canadian chartered bank. As at December 31, 2018, \$2,529,203 (2017 - \$4,173,640) was drawn on this facility.

As a purchaser of electricity through the Independent Electricity System Operator ("IESO"), the Corporation is required to provide security to minimize the risk of default based on its expected activity in the market. The IESO may draw on this security if the Corporation fails to make payment required by a default notice issued by the IESO. The Corporation has a \$3.6 million revolving term facility by way of a letter of guarantee with Royal Bank, of which \$3,095,139 (2017 - \$3,095,139) has been assigned to secure the prudential support required by the IESO.

The majority of accounts payable, as reported on the statement of financial position, is due within 30 days. Liquidity risks associated with financial commitments are as follows:

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

22. Financial instruments and risk management (continued)

December 31, 2018

		Due within 1 year	Due within 1 to 5 years	Due > 5 years	Total
Revolving credit facility	\$	2,527,543	\$ -	\$ -	\$ 2,527,543
Accounts payable and accrued liabilities		6,937,778	-	-	6,937,778
Due to City of Stratford		821,234	-	-	821,234
Interest on demand notes payable at 7.25%		1,131,000	4,524,000	-	5,655,000
OIPC 4.4% maturing June 15, 2025		153,268	684,352	288,948	1,126,568
OIPC 3.98% maturing October 1, 2025		21,052	93,018	52,307	166,377
Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023		447,000	1,933,000	9,369,000	11,749,000
Interest payments on long-term loans		441,020	1,526,651	2,463,528	4,431,199
	\$	12,479,895	\$ 8,761,021	\$ 12,173,783	\$ 33,414,699

December 31, 2017

		Due within 1 year	Due within 1 to 5 years	Due > 5 years	Total
Revolving credit facility	\$	4,171,980	\$ -	\$ -	\$ 4,171,980
Accounts payable and accrued liabilities		6,266,330	-	-	6,266,330
Due to City of Stratford		661,273	-	-	661,273
Interest on demand notes payable at 7.25%		1,131,000	4,524,000	-	5,655,000
OIPC 4.4% maturing June 15, 2025		146,740	655,206	471,362	1,273,308
OIPC 3.98% maturing October 1, 2025		20,239	89,424	76,951	186,614
Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023		432,000	1,874,000	9,875,000	12,181,000
Interest payments on long-term loans		465,315	1,623,873	2,834,998	4,924,186
	\$	13,294,877	\$ 8,766,503	\$ 13,258,311	\$ 35,319,691

Festival Hydro Inc.

Notes to the Financial Statements
Year ended December 31, 2018

23. Commitments and contingencies:

Operating leases

The Corporation entered into a non-cancellable operating lease for service centre space for a period of five years dated November 15, 2015. The contract is subject to an annual increase based on the Ontario Consumer Price Index. Minimum lease payments required are \$941 per month for 2019.

Connection and cost recovery agreement - St. Mary's transformer station

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year capital cost recovery agreement ("CCRA") in September, 2002 relating to Hydro One Networks Inc. building new feeder positions at the existing St. Mary's Transformer Station. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment of the transformer station.

The CCRA has been trued-up effective July 5, 2013. Since load growth had fallen below a target amount, a cumulative contribution in the amount of \$550,200 has been paid to Hydro One Networks. This amount has been recorded as an intangible asset subject to 15-year amortization over the remaining life of the agreement. The agreement was subject to true up effective on the fifteenth year of the agreement in July 2018 however, this has not been completed by Hydro One Inc. It is possible that the Corporation may owe a further payment as a result of the agreement but an estimate of any amount owing is not possible at December 31, 2018 given the nature of the variables included in the calculation. The need for a contribution will be determined by Hydro One Networks Inc. based on actual new load growth.

Connection and cost recovery agreement-Stratford transformer station ("Festival Hydro MTS1")

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year CCRA in November, 2012, relating to Hydro One Networks Inc. building a new 230kV line to connect Festival Hydro's MTS1 to Hydro One's 230kV circuit. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment. The CCRA is trued-up (a) following the fifth and tenth anniversaries of the in-service date; and (b) following the fifteenth anniversary of the in-service date if the actual load is 20% higher or lower than the load forecast at the end of the tenth anniversary of the in-service date. The fifth anniversary of the in-service date was in November 2017. The need for a contribution will be determined by Hydro One Networks Inc. based on actual new load growth.

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2018, no assessments had been made.

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Financial Statement Commentary for the period ended
March 31, 2019

Net income for the period is \$487K, which is \$59K below the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

BALANCE SHEET COMMENTARY:

Accounts Receivable – The receivable balance is reduced slightly from the December 2018 balance, but is significantly higher than the balance at March 2018. Throughout 2018, we continued to move additional accounts to a calendar month billing cycle where it made sense. In this way, the balance outstanding over the month end changed due to the timing of due dates (i.e. a calendar month bill would be billed by the 15th of the month with Festival carrying the balance over the end of the calendar month, and the amount due by mid-month in the following month). Aged AR continues to be monitored to ensure past due balances are not increasing significantly due to the residential moratorium on disconnects. Festival's bad debts for 2018 on electric customers were relatively similar to prior years.

Regulatory Assets – The regulatory asset is made up of approximately one third from LRAM claims/accruals, one third from wholesale market receivables and one third from commodity and deferral and variance disposition accounts.

Deferred Revenue – The increase in deferred revenue from March 2018 is as a result of the increased subdivision/customer driven work requiring contributions from customers throughout 2018.

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Financial Statement Commentary- cont'd

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The gross margin on service revenue (or Distribution Revenue) is below budget by \$48K. The budget includes an estimate of 2019 LRAM revenue of \$165K which is being brought into the budget evenly over the course of the year. The LRAM accrual will be booked closer to the end of the year into the actual figures once more detail is known about LRAM actual earnings for 2019. This accounts for \$41K of the \$48K under budget amount.

Operating and Maintenance (O & M) Expenses – O&M costs are over budget by \$20K at the end of Q1. This overage is driven by labour costs incurred as operating costs in the first quarter, in addition to increased tree trimming costs in Q1 versus what was included in the budget. The budget is determined based on historical actuals as it relates to timing, so these overages are as a result of timing of the actual maintenance work as compared to the prior year.

Billing & Collecting Costs – Billing and collecting costs are \$11K over budget. \$6K of this overage relates to the timing of purchase of postage and pre-printed supplies between actual and budget. The remaining difference relates to the timing of labour in the budget versus actual with the retirement of the customer service manager in 2019.

LOAN COVENANT RATIOS

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our major lenders, RBC and Infrastructure Ontario are being met.

Festival Hydro Inc.**Balance Sheet***For the Period Ending March 31, 2019*

	2018 March	2019 March
ASSETS		
Current		
Accounts Receivable	4,775,850	5,839,615
Inventory	137,688	110,647
Prepaid Expenses	333,328	401,143
Due from FHSI	321,756	259,383
Corporate PILS Recoverable	79,904	(29,490)
Unbilled Revenue	7,160,801	7,109,489
	<u>12,809,327</u>	<u>13,690,787</u>
Property, Plant & Equipment	52,078,215	53,480,015
Intangible Assets	2,184,907	2,028,423
Future payments in lieu of income taxes	294,815	(308,504)
Regulatory Assets	699,086	624,858
Total Assets	68,066,350	69,515,579
LIABILITIES		
Current		
Bank Indebtedness	1,820,449	2,146,392
Accounts Payable & Accrued Liabilities	7,513,049	7,583,046
Current Portion of Consumer Deposits	897,724	1,041,842
Current Portion of Long Term Loans	491,979	510,320
Dividends Declared	210,480	210,480
Promissory Note	15,600,000	15,600,000
	<u>26,533,681</u>	<u>27,092,080</u>
Unrealized loss on interest rate swap	583,448	462,671
Deferred Revenue	956,778	1,394,212
Employee Future Benefits	1,429,828	1,287,745
Long Term Debt		
RBC Loan - LT Portion	11,749,000	11,302,000
Infrastructure Ontario Loan - LT Portion	1,292,945	1,118,625
	<u>13,041,945</u>	<u>12,420,625</u>
Equity		
Share Capital - Common	9,468,388	9,468,388
Share Capital - Preferred	6,100,000	6,100,000
Retained Earnings	10,155,125	11,410,343
Accumulated Other Comprehensive Income	(202,843)	(120,485)
	<u>25,520,670</u>	<u>26,858,246</u>
Total Liabilities & Equity	68,066,350	69,515,579

Festival Hydro Inc.
Income Statement

For the Period Ending March 31, 2019

	2018 March	2019 March	2019 YTD Bdg	YTD Bdg Var
REVENUE				
SERVICE REVENUE	19,160,739	20,866,499	18,894,789	1,971,710
COST OF POWER	16,345,432	18,031,100	16,011,635	2,019,465
GROSS MARGIN (DISTRIBUTION REVENUE)	2,815,307	2,835,399	2,883,154	(47,755)
OTHER OPERATING REVENUE	236,370	230,854	226,510	4,344
OPERATING & MAINTENANCE EXPENSE				
TRANSFORMER & DISTRIBUTION STATION EXPENSE	23,828	31,943	31,150	793
DISTRIBUTION LINES & SERVICES OVERHEAD	310,571	390,578	333,124	57,454
U/G DISTRIBUTION LINES & SERVICES.	55,942	30,339	57,517	(27,178)
DISTRIBUTION TRANSFORMERS	14,819	15,892	13,551	2,341
DISTRIBUTION METERS	98,017	89,374	78,629	10,745
CUSTOMER PREMISES	35,002	21,197	45,632	(24,435)
TOTAL OPERATING AND MAINTENANCE	538,179	579,323	559,603	19,720
ADMINISTRATION				
BILLING, COLLECTING & METER READING	271,238	309,929	299,372	10,557
ADMINISTRATION	555,870	598,431	600,396	(1,965)
TOTAL ADMINISTRATION	827,108	908,360	899,768	8,592
ALLOCATED DEPRECIATION	(40,338)	(43,913)	(43,913)	-
TOTAL CONTROLLABLE COST	1,324,949	1,443,770	1,415,458	28,312
NET INCOME BEFORE DEP'N, INTEREST & TAX	1,726,728	1,622,483	1,694,206	(71,723)
DEPRECIATION	624,016	665,915	665,915	-
INTEREST EXPENSE	429,140	419,160	420,753	(1,593)
INTEREST INCOME	(8,146)	(10,705)	-	(10,705)
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	681,718	548,113	607,538	(59,425)
CURRENT TAX	48,750	61,000	61,000	-
NET INCOME BEFORE SWAP & ICM	632,968	487,113	546,538	(59,425)
UNREALIZED GAIN/LOSS ON SWAP	-	-	-	-
MARKETABLE SECURITY - RECORDED AS OCI	-	-	-	-
NET INCOME	632,968	487,113	546,538	(59,425)

Festival Hydro Inc.**Cash Flow***For the Period Ending March 31, 2019*

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.54	Less than 0.65
Infrastructure Ont Compliance - Debt to Equity Test	37:63	Less than 75:25
Infrastructure Ont Compliance - Debt Service Ratio	2.02X	Not less than 1.30X

	2018 March	2018 Actual	2019 March
Cash from Operations			
Net Income	632,968	2,474,572	487,113
Depreciation	624,016	2,548,768	665,915
Unrealized loss on interest rate swap	-	(120,777)	-
Net Change in Receivables/Payables/Var Accts	1,745,783	1,555,865	(98,753)
Contributed capital	347,548	537,323	377,190
Total Cash Provided	<u>3,350,315</u>	<u>6,995,751</u>	<u>1,431,465</u>
Loan Repayments	107,000	598,979	111,000
Cash Used - Capital Expenditures	696,625	3,761,140	744,244
Cash Used - Dividends paid	195,165	991,100	195,165
	<u>998,790</u>	<u>5,351,219</u>	<u>1,050,409</u>
Increase (Decrease) in Cash Position	2,351,525	1,644,532	381,056
Bank Indebtedness, Beg of Period	<u>(4,171,980)</u>	<u>(4,171,980)</u>	<u>(2,527,448)</u>
Bank Indebtedness, End of Period	<u>(1,820,455)</u>	<u>(2,527,448)</u>	<u>(2,146,392)</u>

**RESOLUTION OF THE SOLE SHAREHOLDER OF
FESTIVAL HYDRO INC.
(the “Corporation”)**

RESOLVED THAT:

1. The financial statements of the Corporation as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted.

2. All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

The foregoing resolution is signed by the sole Shareholder of the Corporation pursuant to the *Business Corporations Act* this _____ day of _____, _____.

The Corporation of the City of Stratford

Per: _____

Mayor:

Per: _____

Clerk:



Corporate Services Department

MANAGEMENT REPORT

Date: May 21, 2019
To: Finance and Labour Relations Sub-committee
From: Michael Humble, Director of Corporate Services
Report#: FIN19-017
Attachments: Festival Hydro Services Inc. Rhyzome Financial Statements – Dec 31 2018 and Mar 31 2019
 Resolution of the Sole Shareholder of Festival Hydro Services Inc.

Title: Financial Statements and Commentary for Festival Hydro Services Inc. (FHSI) – Q4 2018 and Q1 2019

Objective: To consider the financial reports from FHSI for the period ending December 31, 2018, as well as the period ending March 31, 2019.

Background: City Council is updated quarterly on the financial position of FHSI.

Analysis: As noted in the attached statements. Representatives of Festival Hydro will attend the meeting to answer questions.

Financial Impact: Not applicable.

Staff Recommendation: **THAT the Festival Hydro Services Inc. 2018 audited financial statements and commentary for the period ending December 31, 2018, be approved by City Council;**

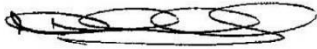
THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending March 31, 2019, be received for information;

THAT the attached Resolution of the Sole Shareholder of Festival Hydro Services Inc. be signed by the Mayor and Clerk;

THAT the financial statements of the Corporation as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial

statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted;

AND THAT all acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.



Michael Humble, Director of Corporate Services



Rob Horne, Chief Administrative Officer



Festival Hydro Services Inc.

Financial Statements

Prepared For:

Tom Clifford and the Finance & Labour Relations Committee

May 2019

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Commentary on Preliminary Financial Results –
 for the Year Ended December 31, 2018

The net income for the period is \$258K which is \$129K ahead of budget. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

Capital asset additions - Additions to the end of 2018 are \$520K, 77% of budget. Details on the capital spend to date as noted below:

WIFI Capital – Total capital Wi-Fi spend relates to completing the installation of the AP project and the collector update project. The overspend compared to budget relates to unplanned movement of some AP's in order to maximize the coverage area of each install.

Fibre Capital – Total spend on fibre capital is \$58K, and \$6K from contributed capital. The internal fibre costs surround supporting the fibre expansion project in the City. Contributed capital relates to installation of new lit fibre customers under. The projected underspend is as a result of the updated timing on the fibre ring build. While there were some minor costs included in 2019 relating to the fibre ring build, we anticipate seeing the bulk of these costs in 2019.

Server Room Building – The costs capitalized relating to the server room building in 2018 are \$360K for the work done to the end of the year. Note that the statements also reflect a debt owing for this building cost.

Income Statement Commentary:

Revenues – Revenues are \$76K ahead of budget. This is largely due to fibre revenues and Wi-Fi revenues projected to be ahead of budget.

Operating Expenses – Operating expenses are below budget by \$97K. This is driven by resource costs being below budget by \$54K due to the timing of resource hiring (anticipated to have IT manager in place at January 1 but had not been filled until July 1st) in addition to overbudgeting the cost of a part time customer service resource. Admin expenses are also below budget by \$22K due to less spend on marketing materials for our wireless campaign than planned and lower projected management fee expenses than budgeted. Net operational fibre/sentinel lights and Wi-Fi costs are below budget by \$19K. This is largely driven by server room transitional costs budgeted in 2018 that won't be experienced until 2019.

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Commentary on Preliminary Financial Results – cont'd

Current income tax – This \$43K expense at the end of 2018 is the result of utilizing investment tax credits recognized as part of the SR&ED claim made back in 2010 for development work eligible on the Wi-Fi network build. The budget and projections did not accurately classify these as current tax expenses flowing through the income statement, but rather left the offset to the asset reduction on the balance sheet. Note, that the utilization of these credits is not a cash tax transaction, and the expense is simply a classification item on the financial statements.

Text	Cur Yr YTD	Pre Yr YTD
CURRENT ASSETS		
CASH	11,924.00	10,808.00
ACCOUNTS RECEIVABLE & PREPAIDS	52,682.00	53,860.00
INCOME TAX RECEIVABLE/(PAYABLE)	1,763.00	2,059.00
OTHER ASSETS	0.00	0.00
INVENTORY	8,642.00	10,830.00
TOTAL CURRENT ASSETS	75,010.00	77,556.00
FIXED ASSETS		
GROSS BOOK VALUE	4,191,929.00	5,365,779.00
ACCUMULATED DEPRECIATION	-1,571,667.00	-3,019,592.00
NET BOOK VALUE	2,620,262.00	2,346,187.00
INVESTMENT TAX CREDIT RECEIVABLE	21,000.00	64,000.00
TOTAL ASSETS	2,716,271.00	2,487,743.00
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	-71,403.00	-115,321.00
DUE TO FESTIVAL HYDRO INC.	-164,718.00	-176,984.00
CURRENT PORTION OF LTD	-336,754.00	-300,384.00
PROMISSORY NOTE	-372,000.00	-372,000.00
TOTAL CURRENT LIABILITIES	-944,874.00	-964,687.00
DEFERRED REVENUE	-166,619.00	-204,356.00
DEFERRED TAX LIABILITIES	-155,000.00	-113,000.00
RBC FINANCING	-288,187.00	-595,553.00
POP LOAN LONG TERM PORTION	-293,141.00	0.00
EQUITY		
SHARE CAPITAL	-249,236.00	-249,236.00
RETAINED EARNINGS	-619,216.00	-360,912.00
TOTAL EQUITY	-868,452.00	-610,148.00

Text	Cur Yr YTD	Pre Yr YTD
TOTAL LIABILITIES & EQUITY	-2,716,271.00	-2,487,743.00

Text	Pre Yr YTD	Cur Yr YTD Bdg	Cur Yr YTD
REVENUE			
Total Revenue	1,389,223.00	1,380,500.00	1,456,218.00
Total Operating Expenses	832,336.00	909,401.00	812,433.00
Net Income Before Depreciation & Interest	556,888.00	471,100.00	643,785.00
Depreciation	324,042.00	260,001.00	245,965.00
Interest Income	-577.00	0.00	-1,010.00
Interest Expense	57,222.00	64,900.00	55,526.00
Net Income for the Period before Taxes	176,201.00	146,200.00	343,305.00
Current Tax Provision	0.00	0.00	43,000.00
Future Tax Provision	51,000.00	17,001.00	42,000.00
Net Income for the Period before Taxes	125,201.00	129,200.00	258,305.00

Festival Hydro Services Inc.

Cash Flow and Statement of Capital

For the year ended December 31, 2018

	2017 Actual	2018 Budget	2018 Final
Sentinel Lights	1,440	-	-
ISP Equipment/Computer HW & SW	10,975	22,100	6,267
WiFi	280,374	52,000	89,058
Fibre Optic Cable - FHI	75,319	605,300	58,447
Server Room Building	-	-	360,000
Contributed Capital - Wightman	10,413		6,268
Total Capital Expenditures	378,521	679,400	520,040
			77%
	Dec 2017 Actual	2018 Budget	2018 Final
<i>Cash from Operations</i>			
Net Income	125,201	129,200	258,305
Future tax provision	51,000	17,000	42,000
Depreciation	324,041	260,000	245,965
Accretion of interest	-	-	(37,471)
Change in value of options	8,800	-	-
Change in Deferred revenue	(13,142)	(43,159)	(37,737)
New Contributed capital (non-cash)	(10,413)	-	(6,268)
Net Change in Receivables/Payables	77,508	-	2,744
Total Cash Provided	562,995	363,041	467,538
<i>Cash Used/Received</i>			
Capital expenditures	(368,108)	(679,400)	(513,772)
Third party building financing	-	-	360,000
Loan repayments	(293,560)	(300,385)	(300,384)
	(661,668)	(979,785)	(454,156)
<i>Increase (Decrease) in Cash Position</i>	(98,673)	(616,744)	13,382
<i>Cash and due to FHI beginning of Year</i>	(67,503)	(207,512)	(166,176)
<i>Cash and due to FHI end of Period</i>	(166,176)	(824,256)	(152,794)

Financial Statements of

FESTIVAL HYDRO SERVICES INC.

Year ended December 31, 2018



KPMG LLP
 140 Fullarton Street Suite 1400
 London ON N6A 5P2
 Canada
 Tel 519 672-4800
 Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Festival Hydro Services Inc.

Opinion

We have audited the financial statements of Festival Hydro Services Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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 International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 25, 2019

FESTIVAL HYDRO SERVICES INC.

Statements of Financial Position

December 31, 2018, with comparative information for December 31, 2017

	Note	2018	2017
Assets			
Current assets			
Cash		\$ 11,924	\$ 10,808
Accounts receivable		48,018	47,278
Inventory	5	8,642	10,830
Other assets		4,664	6,582
Income tax receivable		1,763	2,059
Total current assets		75,011	77,557
Non-current assets			
Plant and equipment	6	2,604,209	2,330,626
Intangible asset	7	16,052	15,561
Investment tax credit receivable		21,000	64,000
Total non-current assets		2,641,261	2,410,187
Total assets		\$ 2,716,272	\$ 2,487,744
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 71,402	\$ 115,321
Due to Festival Hydro Inc.	15	164,718	176,984
Current portion of long-term debt	9	708,754	672,384
Deferred revenue	9	29,087	49,727
Total current liabilities		973,961	1,014,416
Non-current liabilities			
Long-term debt	9	581,328	595,553
Deferred revenue	9	137,529	154,626
Deferred tax liabilities, net	8	155,000	113,000
Total non-current liabilities		873,857	863,179
Total liabilities		1,847,818	1,877,595
Equity			
Share capital	10	249,235	249,235
Retained earnings		619,219	360,914
Total equity		868,454	610,149
Total liabilities and equity		\$ 2,716,272	\$ 2,487,744

See accompanying notes to the financial statements.

On behalf of the Board:

Director_____
Director

FESTIVAL HYDRO SERVICES INC.

Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	Note	2018	2017
Revenue	11	\$ 1,418,746	\$ 1,389,223
Operating expenses			
Employee salaries and benefits	12	477,729	472,997
Operating expenses	13	334,703	359,338
Depreciation and amortization	6,7	245,965	324,041
		1,058,397	1,156,376
Income from operating activities		360,349	232,847
Other Income	16	37,471	-
Finance income	14	1,010	577
Finance costs	14	55,525	57,222
Income before income taxes		343,305	176,202
Income tax expense	8	85,000	51,000
Net income and comprehensive income		\$ 258,305	\$ 125,202

See accompanying notes to financial statements.

FESTIVAL HYDRO SERVICES INC.

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017

	Share capital	Retained earnings	Total
Balance at January 1, 2017	\$ 249,235	\$ 235,712	\$ 484,947
Net income and comprehensive income	-	125,202	125,202
Balance at December 31, 2017	\$ 249,235	\$ 360,914	\$ 610,149
Balance at January 1, 2018	\$ 249,235	\$ 360,914	\$ 610,149
Net income and comprehensive income	-	258,305	258,305
Balance at December 31, 2018	\$ 249,235	\$ 619,219	\$ 868,454

See accompanying notes to the financial statements.

FESTIVAL HYDRO SERVICES INC.

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Net income and comprehensive income	\$ 258,305	\$ 125,202
Adjustments for:		
Depreciation	245,965	324,041
Amortization of deferred revenue	(44,005)	(51,541)
Net finance costs	54,515	56,645
Income tax expense	42,000	51,000
Gain on debt acquired	(37,471)	-
Changes in non-cash operating working capital		
Accounts receivable	(740)	(4,681)
Inventory	2,188	2,086
Other assets	1,917	19,926
Income tax receivable	296	5,865
Investment tax credit receivable	43,000	-
Accounts payable and accrued liabilities	(44,248)	62,609
Due to Festival Hydro Inc.	(22,582)	75,243
Interest paid	(44,878)	(51,867)
Interest received	1,010	577
	455,272	615,105
Financing activities:		
Repayment of long-term debt	(300,384)	(293,559)
Debt acquired	360,000	-
Deferred revenue received	6,268	38,396
	65,884	(255,163)
Investing activities:		
Purchase of plant and equipment	(513,773)	(367,546)
Intangible asset	(6,267)	(10,974)
	(520,040)	(378,520)
Increase (decrease) in cash	1,116	(18,578)
Cash, beginning of year	10,808	29,386
Cash, end of year	\$ 11,924	\$ 10,808

See accompanying notes to financial statements.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

1. Reporting entity:

Festival Hydro Services Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act 1998 on July 11, 2000. The Corporation of the City of Stratford (the "City") passed a bylaw pursuant to Section 145 of the Electricity Act 1998 transferring certain assets and liabilities used in connection with water heaters, sentinel lights, and other energy services and telecommunications from the Stratford Public Utility Commission – Electric Departments. In exchange for these assets the City received a promissory note and common shares. The Company is located in the City of Stratford. The address of the Company's registered office is 187 Erie Street, Stratford, Ontario N5A 2M6.

Festival Hydro Services Inc. is a telecommunications company that rents dark fibre and sentinel lights and is an internet service provider that focuses on lit fibre services as well as wireless services for its customers.

The financial statements are for the Company as at and for the year ended December 31, 2018.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 25, 2019.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.
- (ii) Contributed assets are measured at fair value upon initial recognition.

The methods used to measure fair values are discussed further in note 3 (c) and note 16.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

2. Basis of presentation (continued):

(e) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

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 periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 6 – Plant and equipment: useful lives and the identification of significant components of property, plant and equipment
- (ii) Note 7 – Intangible assets
- (iii) Note 8 – Income taxes: utilization of tax losses
- (iv) Note 16 – Financial instruments and risk management: valuation of long-term debt

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

All financial assets of the Company are classified into one of the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and amortized cost. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or amortized cost.

The Company has classified its financial instruments as follows:

Cash	Fair value through profit or loss
Accounts receivable	Amortized cost
Other assets	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Due to Festival Hydro Inc.	Amortized cost

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, all non-derivative financial instruments of the Company are carried on the statement of financial position at fair value, except for financial liabilities at amortized cost, which are measured at amortized cost.

The Company does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(b) Inventory:

Inventory is stated at lower of cost and net realizable value and consists of maintenance materials and supplies. Cost is determined on a weighted average basis. The cost of inventory includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing it to its existing location and condition.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(c) Plant and equipment:

Items of plant and equipment are measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Fibre optics	25 years
WiFi assets	7 years
Computer hardware	5 years
Sentinel lights	10 years
Furniture and fixtures	10 years
Buildings	30 years

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized within other income or operating expenses in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(d) Intangible asset:

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

Computer software	5 years
-------------------	---------

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

(e) Impairment:

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Revenue:

Monthly fees in connection with fibre optic, sentinel light, WiFi services, rental revenue, and consulting revenue are recognized as the services are rendered to customers.

Deferred revenue relating to contributions under a cost share agreement is amortized to income on a straight-line basis over the term of the agreement with the customer which represents the period of ongoing service to the customer.

(h) Deferred revenue and assets transferred from customers:

Certain partners are required to contribute towards the capital cost of fibre connections as part of a revenue/cost sharing agreement. Cash contributions are recorded as current liabilities. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue

The deferred revenue amount represents the Company's obligation to continue to provide the customers access to the fibre services and is amortized to income on a straight-line basis over the term of the agreement with the customer.

(i) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash. Finance costs comprise interest expense on borrowings.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(j) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PIL"s) are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

3. Significant accounting policies (continued):

(k) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2018:

(i) *IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments*

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018 on a retrospective basis. The following practical expedients have been used in the initial application of these new standards:

For completed contracts, the Company did not restate contracts that:

- (i) Began and ended within the same annual reporting period; or
- (ii) Were completed at the beginning of January 1, 2016.

The amendments did not result in a material impact on the financial statements.

(ii) *Annual Improvements to IFRS Standards (2014-2016) Cycle*

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations became effective retrospectively for annual periods beginning on or after January 1, 2017. The remaining two amendments relate to IFRS 1 and IAS 28.

Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and

Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company adopted these amendments in its financial statements for the annual period beginning on January 1, 2018. The amendments did not result in a material impact on the financial statements.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

4. Standards issued but not yet adopted:

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Company is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

(i) *IFRS 16 Leases*

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is still evaluating the impact of this standard on its statements.

(ii) *Annual Improvements to IFRS Standards (2015-2017) Cycle*

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

5. Inventory:

The amount of inventory consumed by the Company and recognized as an expense during 2018 was \$1,190 (2017 - \$2,086)

6. Plant and equipment:

Cost	Fibre optics	WiFi assets	Computer hardware	Sentinel lights	Buildings and Office furniture	Total
Balance at January 1, 2017	\$2,740,280	\$2,078,411	\$127,460	\$18,199	\$6,447	\$4,970,797
Additions	85,732	280,374	-	1,440	-	367,546
Transfers	-	-	-	-	-	-
Disposals/retirements	-	-	-	-	-	-
Balance at December 31, 2017	\$2,826,012	\$2,358,785	\$127,460	\$19,639	\$6,447	\$5,338,343
Balance at January 1, 2018	\$2,826,012	\$2,358,785	\$127,460	\$19,639	\$6,447	\$5,338,343
Additions	64,715	89,058	-	-	360,000	513,773
Transfers	-	-	-	-	-	-
Disposals/retirements	-	(1,648,822)	(45,069)	-	-	(1,693,891)
Balance at December 31, 2018	\$2,890,727	\$799,021	\$82,391	\$19,639	\$366,447	\$4,158,225
Accumulated depreciation						
Balance at January 1, 2017	\$938,434	\$1,665,855	\$74,010	\$5,641	\$4,126	\$2,688,066
Depreciation	111,326	184,444	20,985	2,251	645	319,651
Transfers	-	-	-	-	-	-
Disposals/retirements	-	-	-	-	-	-
Balance at December 31, 2017	\$1,049,760	\$1,850,299	\$94,995	\$7,892	\$4,771	\$3,007,717
Balance at January 1, 2018	\$1,049,760	\$1,850,299	\$94,995	\$7,892	\$4,771	\$3,007,717
Depreciation	114,335	102,452	14,434	2,323	6,645	240,189
Transfers	-	-	-	-	-	-
Disposals/retirements	-	(1,648,821)	(45,069)	-	-	(1,693,890)
Balance at December 31, 2018	\$1,164,095	\$303,930	\$64,360	\$10,215	\$11,416	\$1,554,016
Carrying costs						
December 31, 2017	1,776,252	508,486	32,465	11,747	1,676	2,330,626
December 31, 2018	1,726,632	495,091	18,031	9,424	355,031	2,604,209

Borrowing costs:

During the year there were no borrowing costs capitalized as part of the cost of plant and equipment (2017 – nil).

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

7. Intangible assets:

	Computer software
Cost	
Balance at January 1, 2017	\$16,463
Additions	10,974
Transfers	-
Disposals/retirements	-
Balance at December 31, 2017	<u>\$27,437</u>
Balance at January 1, 2018	\$27,437
Additions	6,267
Balance at December 31, 2018	<u>\$33,704</u>
Accumulated amortization	
Balance at January 1, 2017	\$7,486
Amortization	4,390
Transfers	-
Disposals/retirements	-
Balance at December 31, 2017	<u>\$11,876</u>
Balance at January 1, 2018	\$11,876
Amortization	5,776
Balance at December 31, 2018	<u>\$17,652</u>
Carrying amounts	
December 31, 2017	\$ 15,561
December 31, 2018	<u>16,052</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

8. Income taxes:

	2018	2017
Current Tax Expense	43,000	-
Deferred tax expense:		
Origination and reversal of temporary differences	\$42,000	\$51,000
Total income tax expense	\$85,000	\$51,000
	2018	2017
Basic rate applied to profit before income tax 26.5% (2017 - 26.5%)	\$81,000	\$47,000
Increase in income tax resulting from:		
Permanent differences	2,000	2,000
Other	2,000	2,000
	\$85,000	\$51,000

Significant components of the Company's deferred tax balances are as follows:

	2018	2017
Deferred tax assets		
SR&ED pool, ITC & CMT credit carry forwards	\$ 5,000	\$ 27,000
Other	18,000	22,000
Deferred tax liabilities		
Plant and equipment	(178,000)	(162,000)
Deferred tax liability, net	(\$155,000)	(\$113,000)

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

9. Long-term debt:

	2018	2017
Fixed rate loan bearing interest at 2.3% per annum, payable in blended monthly payments of \$26,486, maturing on November 22, 2020, secured by a general security agreement	\$595,553	\$895,937
Demand note payable to shareholder, bearing interest at 7.5% per annum with interest payments only, due on demand, unsecured	372,000	372,000
Non-interest bearing loan, annual installments of 1/10 th of loan balance, term ending Dec 31, 2028	322,529	-
	\$1,290,082	\$1,267,937
Less: current portion	708,754	672,384
Long term debt	\$581,328	\$595,553

The Company incurred interest expense in respect of these lending arrangement of \$45,186 (2017 – \$52,014).

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long-term debt	Current and long-term deferred revenue	Total (financing cash flows)
Balance at January 1, 2018	\$1,267,937	\$204,353	\$1,472,290
Deferred revenue received	-	6,268	6,268
Repayments of long-term debt	(300,384)	-	(300,384)
Debt acquired	322,529	-	322,529
Total changes from financing cash flows	\$22,145	\$6,268	\$28,413
Amortization of deferred revenue	-	(44,005)	(44,005)
Balance at December 31, 2018	\$1,290,082	\$166,616	\$1,456,698

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

10. Share capital:

	2018	2017
Authorized:		
Unlimited Class A special shares		
Unlimited Class B special shares		
Unlimited common shares		
Issued:		
3,382 common shares (2017 - 3,382)	\$249,235	\$249,235

11. Revenue:

	2018	2017
Fibre optics	\$ 700,802	\$ 705,475
Consulting revenue	442,244	433,240
WiFi revenues	249,455	225,409
Fibre room rental service	13,252	12,000
Sentinel light fixture rentals	12,993	13,099
	<u>\$ 1,418,746</u>	<u>\$ 1,389,223</u>

12. Employee salaries and benefits:

	2018	2017
Salaries, wages and benefits	\$ 446,461	\$ 447,228
CPP and EI remittances	25,899	22,866
Group RRSP contributions	5,369	2,903
	<u>\$ 477,729</u>	<u>\$ 472,997</u>

13. Operating expenses:

	2018	2017
WiFi maintenance	\$ 158,582	\$ 168,818
Administrative expenses	108,289	109,589
Fibre optics maintenance	60,818	70,745
Sentinel lights maintenance	7,014	1,386
Unrealized change in value of investments	-	8,800
	<u>\$ 334,703</u>	<u>\$ 359,338</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

14. Finance income and expense:

	2018	2017
Finance income		
Interest income on bank deposits	\$ 1,010	\$ 577
Finance costs		
Interest expense on long-term debt	\$38,241	\$24,111
Interest expense on other financial liabilities	17,284	33,111
	<u>\$55,525</u>	<u>\$57,222</u>
Net finance costs recognized in profit or loss	<u>\$54,515</u>	<u>\$56,645</u>

15. Related party transactions:

(a) Parent and ultimate controlling party

The sole shareholder and ultimate parent of the Company is the City of Stratford ("City"). The City produces financial statements that are available for public use.

(b) Key management personnel

The key management personnel of the Company have been defined as members of its Board of Directors and executive management team members. Executive management are paid under an administrative services agreement with Festival Hydro Inc., a company under common control by the City.

	2018	2017
Directors fees	\$ 4,813	\$ 3,647
Management fee	52,251	55,322
	<u>\$ 57,064</u>	<u>\$ 58,969</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

15. Related party transactions (continued):

(c) Transactions with parent

The table below summarizes the Company's related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the year ended December 31. The transactions include the sale of fibre and WiFi services to the City as well as payment of joint pole charges for attachments on City owned poles as well as interest expense on amounts owed to the City.

	2018	2017
Revenue		
Fiber services	\$ 65,117	\$ 63,182
WiFi services	3,196	3,552
	<u>\$ 68,313</u>	<u>\$ 66,734</u>
Expenses		
Joint pole attachments on streetlights	\$ 1,260	\$ 1,364
Interest	27,900	27,900
	<u>\$ 29,160</u>	<u>\$ 29,264</u>

At December 31, 2018, the balance outstanding from the City was \$5,009 which has been recorded net of the intercompany loan from Festival Hydro Inc. who collects these receivables on the Company's behalf (2017 – \$5,572).

(d) Transactions with subsidiaries of the City

Festival Hydro Inc. performs all of the administrative functions for the Company. Most expenses are paid and revenue received through Festival Hydro Inc. according to a service level agreement, effective September 1, 2012. At December 31, 2018, the balance owing to Festival Hydro Inc. was \$164,718 (2017 - \$176,984)

Festival Hydro Inc. charges interest on the balance owing from the Company at an interest rate equivalent to the Bank of Canada prime rate of 3.95% at December 31, 2018 (2017 – 3.2%) as per the revised loan agreement, effective September 1, 2012. The loan is repayable on demand and no later than September 1, 2022.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

15. Related party transactions (continued):

(d) Transactions with subsidiaries of the City (continued):

A listing of the various entities under the control of the City is set out on the City's website
The Company had the following transactions with subsidiaries of the City:

	2018	2017
Revenue		
Fiber services	\$ 31,711	\$ 31,711
WiFi services	148,000	148,000
Consulting Services	435,202	388,573
	<u>\$ 614,913</u>	<u>\$ 568,284</u>
Expenses		
Interest	\$ 10,316	\$ 4,851
Operational services	46,519	50,433
Management fee	52,251	55,322
Joint pole attachments on hydro poles	38,639	35,950
Electricity charges	12,836	21,132
Office and room rental	43,798	42,000
Water operations	70,310	69,080
	<u>\$ 274,669</u>	<u>\$ 278,768</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

16. Financial instruments and risk management:

Fair value disclosure

The carrying values of cash, accounts receivable, due to Festival Hydro Inc. and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair value of the long-term debt at December 31, 2018 is \$1,010,402 (2017 - \$1,314,277). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2018 was 4.34% on the RBC fixed term facility and 3.95% on the City demand note (2017 – 4.41% and 3.45%, respectively)

The fair value of the non-interest-bearing loan debt agreement with Wightman at December 31, 2018 is calculated based on the present value of future principal and interest cash flows, discounted at the Bank of Canada 10-year rate at the reporting date. The interest rate used to calculate fair value at December 31, 2018 was 2.05%. The difference between the amount lent and the fair value of the debt of \$37,471 is recognized in other income.

Other assets included options to purchase shares of another company. These options expired in 2017 and the value was written off to expenses.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposures to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related mitigation strategies are discussed.

(a) Credit risk

Financial assets carry credit risk that counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment, which management estimates based on lifetime expected credit losses, and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2018 is nil as the Company does not have a history of collection losses (2017 - nil).

The Company's credit risk associated with accounts receivable is primarily related to payments from fibre or wireless customers. At December 31, 2018 there were no balances that were 60 days past due.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2018

16. Financial instruments and risk management (continued):

(b) Market risk

The Company is minimally exposed to fluctuations in interest rates based on its need for external financing.

A 1% increase in the interest rate at December 31, 2018 would have increased interest expense on the long-term debt by an immaterial amount.

(c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Company has access to operating funds from an affiliate through an ongoing borrowing agreement and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The Company also obtained third party financing in 2015 in the form of a long-term debt facility being repaid over a period of five years through monthly principal and interest payments.

The majority of accounts payable, as reported on the balance sheet are due within 30 days.

(d) Capital disclosures

The main objective of the Company when managing capital is to ensure ongoing access to funding to maintain and improve the fibre and wireless infrastructure. The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2018, shareholder's equity amounts to \$868,451 (2017 - \$610,149) and long-term debt, including current portion thereof, amounts to \$1,290,082 (2017 - \$1,267,937).

To: Tom Clifford and the Finance and Labour Relations Committee
From: Ysni Semsedini, CEO
Re: Commentary on Financial Results –
For the period ended March 31, 2019

The net income for the period was \$37K which is \$22K ahead of budget. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

Capital asset additions - Additions to the end of Q1 are \$26K, 3% of budget. Details on the capital spend to date as noted below:

WiFi – total spend in Q1 of \$24K was related to the optimization of some Stratford clusters of AP's. To date, 30% of the work has been completed, and project completion is expected in August.

Fiber Capital – Total spend on fiber projects to the end of Q1 was \$2K. At March 31st one new customer has been brought online, 3 customer contracts have been renewed and 6 customers are waiting for quotes or construction.

Income Statement Commentary:

Revenues – Revenues are \$18K ahead of budget mainly as a result of consulting revenue being ahead of budget. This is largely driven by a timing difference between budget and actual whereby a consulting resource that is budgeted to retire in the year has consulting hours spread out over 12 months in the budget versus actual revenues being incurred for the first four months of 2019 only. This difference will even out as the year progresses.

Operating Expenses – Operating expenses are below budget by \$4K. This is driven largely by WiFi and fibre maintenance costs being lower than budget in Q1 due to timing of actual expenses versus budget, offset by business development costs being ahead of budget as a result of timing as it relates to when vacation cost was planned in the budget versus when it was incurred (budget anticipates vacation costs later in the year as per historical actuals, however vacation costs were incurred in Q1 of 2019 actuals).

05/07/2019 2019/03
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02 - FESTIVAL HYDRO SERVICES, INC.
FHSI BALANCE SHEET
Status Reports March, 2019

PAGE 1

Text	Cur Yr YTD	Pre Yr YTD
CURRENT ASSETS		
CASH	44,500.00	26,071.00
ACCOUNTS RECEIVABLE & PREPAIDS	89,853.00	86,995.00
INCOME TAX RECEIVABLE/(PAYABLE)	1,763.00	2,059.00
OTHER ASSETS	0.00	0.00
INVENTORY	8,642.00	10,830.00
TOTAL CURRENT ASSETS	144,757.00	125,955.00
FIXED ASSETS		
GROSS BOOK VALUE	4,217,940.00	5,474,215.00
ACCUMULATED DEPRECIATION	-1,642,510.00	-3,084,349.00
NET BOOK VALUE	2,575,431.00	2,389,867.00
INVESTMENT TAX CREDIT RECEIVABLE	21,000.00	64,000.00
TOTAL ASSETS	2,741,188.00	2,579,821.00
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	-48,702.00	-71,048.00
DUE TO FESTIVAL HYDRO INC.	-259,383.00	-321,756.00
CURRENT PORTION OF LTD	-260,573.00	-225,933.00
PROMISSORY NOTE	-372,000.00	-372,000.00
TOTAL CURRENT LIABILITIES	-940,657.00	-990,736.00
DEFERRED REVENUE	-158,462.00	-191,557.00
DEFERRED TAX LIABILITIES	-155,000.00	-113,000.00
RBC FINANCING	-288,187.00	-595,553.00
POP LOAN LONG TERM PORTION	-293,141.00	0.00
EQUITY		
SHARE CAPITAL	-249,236.00	-249,236.00
RETAINED EARNINGS	-656,506.00	-439,741.00
TOTAL EQUITY	-905,741.00	-688,977.00

Text	Cur Yr YTD	Pre Yr YTD
TOTAL LIABILITIES & EQUITY	-2,741,188.00	-2,579,821.00

05/07/2019 2019/03
11:11:19
GL00324

02 - FESTIVAL HYDRO SERVICES, INC.
FHSI - STATEMENT OF OPERATIONS (CITY)
Status Reports March, 2019

Text	Pre Yr YTD	Cur Yr YTD Bdg	Cur Yr YTD
REVENUE			
Total Revenue	329,233.00	327,975.00	345,774.00
Total Operating Expenses	172,326.00	230,368.00	225,952.00
Net Income Before Depreciation & Interest	156,907.00	97,608.00	119,822.00
Depreciation	64,757.00	70,843.00	70,843.00
Interest Income	-122.00	0.00	-290.00
Interest Expense	13,442.00	11,825.00	11,979.00
Net Income for the Period before Taxes	78,830.00	14,941.00	37,290.00
Current Tax Provision	0.00	0.00	0.00
Future Tax Provision	0.00	0.00	0.00
Net Income for the Period before Taxes	78,830.00	14,941.00	37,290.00

Festival Hydro Services Inc.

Cash Flow and Statement of Capital

For the period ended March 31, 2019

	2018 March	2018 December	2019 Budget	2019 March
Sentinel Lights	-	-	-	-
ISP Equipment/Computer HW & SW	-	6,267	190,000	-
WiFi	74,405	89,058	138,000	23,766
Fibre Optic Cable - FHI	34,032	58,447	50,000	2,245
Server Room Building	-	360,000	584,000	-
Contributed Capital - Wightman	-	6,268		
Total Capital Expenditures	108,437	520,040	962,000	26,011
		77%		3%

	2018 March	2018 December	2019 Budget	2019 March
<i>Cash from Operations</i>				
Net Income	78,829	258,305	103,762	37,290
Future tax provision	-	42,000	17,000	-
Depreciation	64,757	245,965	283,371	70,843
Accretion of interest	-	(37,471)	-	-
Change in value of options	-	-	-	-
Change in Deferred revenue	(12,799)	(37,737)	(28,000)	(8,157)
New Contributed capital (non-cash)	-	(6,268)	-	-
Net Change in Receivables/Payables	(77,407)	2,744	18,000	(59,873)
Total Cash Provided	53,380	467,538	394,133	40,103
<i>Cash Used/Received</i>				
Capital expenditures	(108,437)	(513,772)	(962,000)	(26,011)
Third party building financing	-	360,000	525,600	-
Loan repayments	(74,451)	(300,384)	(307,366)	(76,181)
	(182,888)	(454,156)	(743,766)	(102,192)
<i>Increase (Decrease) in Cash Position</i>	(129,508)	13,382	(349,633)	(62,089)
<i>Cash and due to FHI beginning of Year</i>	(166,176)	(166,176)	(103,935)	(152,794)
<i>Cash and due to FHI end of Period</i>	(295,684)	(152,794)	(453,568)	(214,883)

**RESOLUTION OF THE SOLE SHAREHOLDER OF
FESTIVAL HYDRO SERVICES INC.
(the “Corporation”)**

RESOLVED THAT:

1. The financial statements of the Corporation as of December 31, 2018 consisting of the Balance Sheet as at December 31, 2018, the Statement of Income for the year ended December 31, 2018 and the Statement of Retained Earnings for the year ended December 31, 2018, and the notes to the financial statements, and the report of the auditors thereon dated April 25, 2019 be and the same are hereby approved and adopted.
2. All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

The foregoing resolution is signed by the sole Shareholder of the Corporation pursuant to the *Business Corporations Act* this _____ day of _____, _____.

The Corporation of the City of Stratford

Per: _____

Mayor:

Per: _____

Clerk:



MANAGEMENT REPORT

Date: May 21, 2019
To: Finance & Labour Relations Sub-committee
From: Marilyn Pickering, Supervisor of Tax Revenue
Report#: FIN19-018
Attachments: Email Request for Tax Relief – 50 Galt Road Unit 226

Title: Tax Relief under Section 357(1)(d.1) - Sickness or Extreme Poverty

Objective: To consider approval of tax and/or interest relief at 50 Galt Road Unit 226, Stratford.

Background: Section 357 of the Municipal Act, 2001 states in part 'upon application to the treasurer, the local municipality may cancel, reduce or refund all or part of taxes levied on land in the year in respect of which the application is made.'

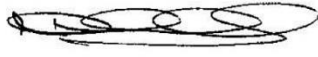
The applicant is applying under Section 357(1)(d.1). The applicant is unable to pay taxes because of sickness or extreme poverty.

Analysis: The property owner will be present to provide details of his request.

Financial Impact: There is an allowance in the 2019 Budget for anticipated tax adjustments.

Staff Recommendation: **THAT the Finance and Labour Relations Sub-Committee provide direction on the tax and interest relief request as presented by the owner of 50 Galt Road Unit 226, Stratford.**

Marilyn Pickering, Supervisor of Tax Revenue

A handwritten signature in black ink, appearing to read "Michael Humble", with a horizontal line drawn underneath it.

Michael Humble, Director of Corporate Services

A handwritten signature in black ink, appearing to read "Rob Horne", with a horizontal line drawn underneath it.

Rob Horne, Chief Administrative Officer

Email Request for Tax Relief of Property Taxes @ 50 Galt Road #226

From: CJay
Sent: May 13, 2019 5:58 AM
To: Marilyn Pickering
Cc: Linda Koslowski; Michael Humble
Subject: Re: [External Email] property taxes @ 50 Galt Rd #226

Good morning Marilyn,

Thank you for taking the time to chat with me on Friday.

With the loss of my Ruffin's Pet Centre franchise last May, my financial situation has gotten serious.

I'm hoping to engage in discussions with city council about my property taxes in arrears at the May 21st council meeting.

Specifically I'm proposing to eliminate all accrued interest, as well as reducing the current outstanding principal balance by 50 percent.

Please let me know if this is possible.

Warm regards,

Christopher



MANAGEMENT REPORT

Date: May 29, 2019
To: Finance and Labour Relations Sub-committee
From: Ed Dujlovic, Director of Infrastructure and Development Services
Report#: FIN19-014
Attachments: City of Stratford Asset Management Policy

Title: City of Stratford Asset Management Policy

Objective: To approve the City of Stratford Asset Management Policy as required by O.Reg. 588/2017.

Background: On December 13, 2017, the Province approved the O. Reg. 588/17 Asset Management Planning for Municipal Infrastructure that took effect January 1, 2018 under the Infrastructure for Jobs and Prosperity Act, 2015. The phase in timelines for the new asset management plans are as follows:

- July 1, 2019 – all municipal governments to have a finalized initial strategic asset management policy. Section 3 of the regulation sets out 12 matters that this policy must include and the policy must be reviewed every 5 years.
- July 1, 2021: all municipal governments to have an adopted asset management plan for core assets (roads, bridges and culverts, water, wastewater and stormwater management) that discusses current levels of service and the cost of maintaining those services. The regulation sets out both qualitative descriptions and technical metrics for each of the core assets.
- July 1, 2023: Municipal governments to an adopted asset management plan for all of its other municipal infrastructure assets, which also discusses current levels of service and the cost of maintaining those services. The municipality is to set the technical metrics and qualitative descriptions for its other assets (e.g., culture and recreation facilities).
- July 1, 2024: The asset management plans shall include a discussion of proposed levels of service, the assumptions related to the proposed levels of service, what activities will be required to meet proposed levels of service, and a strategy to fund

the activities. (AMO believes that this funding strategy will further identify the gap between municipal own source revenues and the need. AMO's current fiscal analysis for 2016 – 2025 shows a \$4.9 billion gap in municipal operating costs and capital needs.)

The 12 matters that the policy must include are as follows:

1. Any of the municipality's goals, policies or plans that are supported by its asset management plan.
2. The process by which the asset management plan is to be considered in the development of the municipality's budget or of any long-term financial plans of the municipality that takes into account municipal infrastructure assets.
3. The municipality's approach to continuous improvement and adoption of appropriate practices regarding asset management planning.
4. The principles to be followed by the municipality in its asset management planning, which must include the principles set out in section 3 of the Act.
5. The municipality's commitment to consider, as part of its asset management planning,
 - i. the actions that may be required to address the vulnerabilities that may be caused by climate change to the municipality's infrastructure assets, in respect of such matters as,
 - A. operations, such as increased maintenance schedules,
 - B. levels of service, and
 - C. lifecycle management,
 - ii. the anticipated costs that could arise from the vulnerabilities described in subparagraph i,
 - iii. adaptation opportunities that may be undertaken to manage the vulnerabilities described in subparagraph i,
 - iv. mitigation approaches to climate change, such as greenhouse gas emission reduction goals and targets, and
 - v. disaster planning and contingency funding.
6. A process to ensure that the municipality's asset management planning is aligned with any of the following financial plans:

- i. Financial plans related to the municipality's water assets including any financial plans prepared under the *Safe Drinking Water Act, 2002*.
 - ii. Financial plans related to the municipality's wastewater assets.
- 7. A process to ensure that the municipality's asset management planning is aligned with Ontario's land-use planning framework, including any relevant policy statements issued under subsection 3 (1) of the *Planning Act*, any provincial plans as defined in the *Planning Act* and the municipality's official plan.
- 8. An explanation of the capitalization thresholds used to determine which assets are to be included in the municipality's asset management plan and how the thresholds compare to those in the municipality's tangible capital asset policy, if it has one.
- 9. The municipality's commitment to coordinate planning for asset management, where municipal infrastructure assets connect or are interrelated with those of its upper-tier municipality, neighbouring municipalities or jointly-owned municipal bodies.
- 10. The persons responsible for the municipality's asset management planning, including the executive lead.
- 11. An explanation of the municipal council's involvement in the municipality's asset management planning.
- 12. The municipality's commitment to provide opportunities for municipal residents and other interested parties to provide input into the municipality's asset management planning.

Analysis: The City retained Public Sector Digest (PSD) in July of 2018 to assist City staff in preparing an asset management roadmap. As part the assignment, PSD developed the asset management policy as per the requirements of O. Reg. 588/17.

Financial Impact: Funding for the development of the asset management plan has been included in the 2019 Budget and there is funding that has been earmarked in the Public Works Capital reserves for asset management.

Staff Recommendation: THAT Council approve the City of Stratford Asset Management Policy.



Ed Dujlovic, Director of Infrastructure and Development Services



Rob Horne, Chief Administrative Officer



Strategic Asset Management Policy

Submission Date:	Click or tap to enter a date.
Approved by:	Enter the approving authority, e.g., CAO.
Approval Date:	Enter date the policy was formally approved.
Effective Date:	Enter the date the policy will become operational.
Policy Number:	Enter policy number.
Next Revision Due:	Enter the date the policy will be reviewed and revised.

1.0 Purpose

The purpose of this policy is to provide a framework for the development and implementation of the City's asset management program. It is intended to guide the consistent use of **asset management** across the organization, to facilitate logical and evidence-based decision-making for the management of **municipal infrastructure assets** and to support the delivery of sustainable community services now and in the future.

By using sound asset management practices, the City will work to ensure that all municipal infrastructure assets meet expected performance levels and continue to provide desired service levels in the most efficient and effective manner. Linking service outcomes to infrastructure investment decisions will assist the City in focusing on service, rather than budget, driven asset management approaches.

This policy demonstrates an organization-wide commitment to the good stewardship of municipal infrastructure assets, and to improved accountability and transparency to the community through the adoption of best practices regarding asset management planning.

2.0 Background

The City is responsible for providing a range of essential services to the community, including, but not limited to, transportation networks, water and wastewater services, stormwater management, and parks and recreation. To deliver these services, it owns

and manages a diverse municipal infrastructure asset portfolio of facilities, roads, bridges, culverts, and underground infrastructure assets. As the social, economic, and environmental wellbeing of the community depends on the reliable performance of these municipal infrastructure assets it is critical to implement a systemic, sustainable approach to their management.

Asset management is such an approach, and refers to the set of policies, practices and procedures that allow an organization to realize maximum value from its municipal infrastructure assets. An asset management approach allows organizations to make informed decisions regarding the planning, building, operating, maintaining, renewing, replacing and disposing of municipal infrastructure assets through a wide range of **lifecycle activities**. Furthermore, it is an organization-wide process that involves the coordination of activities across multiple departments and service areas such as Corporate Services, Infrastructure and Development, Social Services, Fire Services and Community Services. As such, it is useful to adopt a structured and coordinated approach to outlining the activities, roles and responsibilities required of organizational participants, as well as the key principles that should guide all asset management decision-making.

A comprehensive and holistic asset management approach will support efficient and effective delivery of expected **levels of service** and ensure that due regard and process are applied to the long-term management and stewardship of all municipal infrastructure assets. In addition, it will align the City with provincial and national standards and regulations such as the Infrastructure for Jobs and Prosperity Act, 2015 and Ontario Regulation 588/17, enabling the organization to take full advantage of available grant funding opportunities.

The approval of this policy is an important step towards integrating the City's strategic mission, vision and goals with its asset management program, and ensuring that critical municipal infrastructure assets and vital services are maintained and provided to the community in a reliable, sustainable manner.

3.0 Alignment with the City's Strategic Direction

This policy aligns with the City of Stratford's strategic priorities package and asset management plan moving forward. The following passages outline key strategic priorities listed within these documents that the development of an asset management program will support:

1. Strategic Priorities

a. Vision

- i. *Mobility, Accessibility, and Design Excellence:* Improving ways to get around, to and from Stratford by public transit, active

transportation, and private vehicle. Designing options that are accessible to people of all levels of ability.

- ii. *Strengthening our Plans, Strategies, and Partnerships:* Partnering with the community to make plans for our collective priorities in arts, culture, heritage, and more. Communicating clearly with the public around our plans and activities.
- iii. *Developing Our Resources:* Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.
- iv. *Widening Our Economic Opportunities:* Strengthening Stratford's economy by developing, attracting, and retaining a diversity of businesses and talent.

b. Objectives

- i. *Software and Process revisions:* Updating our software programs and processes to ensure that asset information collected at the source properly flows through our systems and into the asset management database.
- ii. *Data Verification:* Ensuring that the data in our asset inventory is correct and reasonable. An example is ensuring that the useful life of an asset in the system properly reflects the real-life cycle of those assets.
- iii. *Including more asset classes:* Other important asset classes like public housing, buildings, and fleet need to be included in our asset management plan.

4.0 Policy Statement

To guide the City, the following policy statements have been developed:

1. The City will implement an enterprise-wide asset management program through all departments. The program will promote lifecycle and risk management of all municipal infrastructure assets, with the goal of achieving the lowest total cost of ownership while meeting desired levels of service.
2. The City will implement continuous improvement protocols and adopt best practices regarding asset management planning, including:
 - i. Complete and Accurate Asset Data;
 - ii. Condition Assessment Protocols;
 - iii. Risk and Criticality Models;
 - iv. Whole Lifecycle Management;

- v. Financial Strategy Development;
 - vi. Level of Service Framework
3. The City will develop and maintain an asset inventory of all municipal infrastructure assets which includes unique ID, description, location information, value (both historical and replacement), performance characteristics and/or condition, estimated remaining life, estimated repair, rehabilitation or replacement date, and estimated repair, rehabilitation or replacement costs.
 4. The City will develop an **asset management plan** that incorporates all municipal infrastructure assets that meet the **capitalization threshold** outlined in the organization's Tangible Capital Asset Policy. The asset management plan will be updated at least every five years in accordance with O. Reg. 588/17 requirements, to promote, document and communicate continuous improvement of the asset management program.

For management purposes, it can be advantageous to inventory, track, and document municipal infrastructure assets that fall below the relevant capitalization threshold. Recognizing that it may be beneficial to include these types of assets in the asset management plan, the City will consider incorporating such assets at their own discretion, based on the objective of sustainably managing municipal infrastructure assets.

5. The City will integrate asset management plans and practices with its long-term financial planning and budgeting strategies. This includes the development of financial plans that determine the level of funding required to achieve short-term operating and maintenance needs, in addition to long-term funding needs to replace and/or renew municipal infrastructure assets based on full lifecycle costing.
6. The City will explore innovative funding and service delivery opportunities, including but not limited to grant programs, public-private partnerships (P3), alternative financing and procurement (AFP) approaches, and shared provision of services, as appropriate.
7. The City will consider the risks and vulnerabilities of municipal infrastructure assets to climate change and the actions that may be required including, but not limited to, anticipated costs that could arise from these impacts, adaptation opportunities, mitigation approaches, disaster planning and contingency funding.

Impacts may include matters relating to operations, levels of service and lifecycle management.

8. The City will ensure that all asset management planning is aligned with any of the following financial plans:
 - i. Financial plans related to the City's water assets including any financial plans prepared under the Safe Drinking Water Act, 2002;
 - ii. Financial plans related to the City's wastewater assets.
9. The City will align all asset management planning with the Province of Ontario's land-use planning framework, including any relevant policy statements issued under section 3(1) of the *Planning Act*, shall conform with the provincial plans that are in effect on that date; and, shall be consistent with all municipal official plans.
10. The City will coordinate planning for asset management, where municipal infrastructure assets connect or are interrelated with those of its neighbouring municipalities or jointly-owned municipal bodies wherever viable and beneficial.
11. The City will develop processes and provide opportunities for municipal residents and other interested parties to offer input into asset management planning wherever and whenever possible.
12. The Strategic Asset Management Policy should be reviewed and, if necessary, updated at least every five years.
13. Council will conduct an annual review of the City's asset management progress on or before July 1 in each year, starting the year after the City's asset management plan is completed to meet the requirements outlined in O.Reg. 588/17

The annual review must address:

- i. The City's progress in implementing its asset management plan;
- ii. Any factors impeding the City's ability to implement its asset management plan;
- iii. A strategy to address the factors identified as impeding the City's ability to implement its asset management plan

14. The City will post its asset management policy and asset management plan on a website that is available to the public and will provide a copy of the policy and plan to any person who requests it.

5.0 Roles and Responsibilities

The development and continuous support of the City's asset management program requires a wide range of duties and responsibilities. The following passages outline the persons responsible for these tasks:

1. Council

- i. Approve the AM policy and direction of the AM program;
- ii. Maintain adequate organizational capacity to support the core practices of the AM program;
- iii. Prioritize effective stewardship of assets in adoption and ongoing review of policy and budgets;
- iv. Establish and monitor levels of service;
- v. Approve the asset management plan by resolution;
- vi. Review the City's asset management progress annually

2. Senior Management Team

- i. Development of policy and policy updates;
- ii. Provide corporate oversight to goals and directions and ensure the AM program aligns with the City's strategic plan;
- iii. Ensure that adequate resources are available to implement and maintain core AM practices;
- iv. Provide departmental staff coordination;
- v. Develop and monitor levels of service and make recommendations to Council;
- vi. Track, analyze and report on AM program progress and results

3. Executive Lead

- i. Manage policy and policy updates;
- ii. Provide organization-wide leadership in AM practices and concepts;
- iii. Provide departmental staff coordination;
- iv. Monitor levels of service;
- v. Coordinate and track AM program implementation and progress;
- vi. Endorse the asset management plan

4. Departmental Staff

- i. Utilize the new business processes and technology tools developed as part of the AM program;
- ii. Participate in implementation task teams to carry-out AM activities;
- iii. Implement and maintain levels of service;
- iv. Provide support and direction for AM practices within their department;
- v. Track and analyze AM program progress and results

5. **Public**

- i. Engage and voice level of service expectations and concerns to Council and Staff through surveys and public engagement opportunities
- ii. Understand dynamic relationship between performance, cost, and risk of assets to deliver desired services
- iii. Engage in discussions about strategic priorities and target levels of service

6.0 **Key Principles**

The City shall consider the following principles as outlined in section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015*, when making decisions regarding asset management:

1. Infrastructure planning and investment should take a long-term view, and decision-makers should take into account the needs of citizens by being mindful of, among other things, demographic and economic trends.
2. Infrastructure planning and investment should take into account any applicable budgets or fiscal plans.
3. Infrastructure priorities should be clearly identified in order to better inform investment decisions respecting infrastructure.
4. Infrastructure planning and investment should ensure the continued provision of core public services.
5. Infrastructure planning and investment should promote economic competitiveness, productivity, job creation and training opportunities.
6. Infrastructure planning and investment should ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
7. Infrastructure planning and investment should foster innovation by creating opportunities to make use of innovative technologies, services and practices,

particularly where doing so would utilize technology, techniques and practices developed in Ontario.

8. Infrastructure planning and investment should be evidence based and transparent, and, subject to any restrictions or prohibitions under an Act or otherwise by law on the collection, use or disclosure of information,
 - i. investment decisions respecting infrastructure should be made on the basis of information that is either publicly available or is made available to the public, and
 - ii. information with implications for infrastructure planning should be shared between the City and broader public sector entities and should factor into investment decisions respecting infrastructure.
9. Where provincial or municipal plans or strategies have been established in Ontario, under an Act or otherwise, but do not bind or apply to the City, as the case may be, the City should nevertheless be mindful of those plans and strategies and make investment decisions respecting infrastructure that support them, to the extent that they are relevant.
10. Infrastructure planning and investment should promote accessibility for persons with disabilities.
11. Infrastructure planning and investment should minimize the impact of infrastructure on the environment and respect and help maintain ecological and biological diversity, and infrastructure should be designed to be resilient to the effects of climate change.
12. Infrastructure planning and investment should endeavour to make use of acceptable recycled aggregates.
13. Infrastructure planning and investment should promote community benefits, being the supplementary social and economic benefits arising from an infrastructure project that are intended to improve the well-being of a community affected by the project, such as local job creation and training opportunities, improvement of public space within the community, and any specific benefits identified by the community.

7.0 Definitions

1. **Asset management (AM)** – the coordinated activity of an organization to realize value from assets. It considers all asset types, and includes all activities

involved in the asset's life cycle from planning and acquisition/creation; to operational and maintenance activities, rehabilitation, and renewal; to replacement or disposal and any remaining liabilities. Asset management is holistic and normally involves balancing costs, risks, opportunities and performance benefits to achieve the total lowest lifecycle cost for each asset.

2. **Asset management plan (AMP)** – Documented information that specifies the activities, resources, and timescales required for an individual asset, or a grouping of assets, to achieve the organization's asset management objectives.
3. **Capitalization threshold** – the value of a municipal infrastructure asset at or above which a City will capitalize the value of it and below which it will expense the value of it.
4. **Green infrastructure asset** – an infrastructure asset consisting of natural or human-made elements that provide ecological and hydrological functions and processes and includes natural heritage features and systems, parklands, stormwater management systems, street trees, urban forests, natural channels, permeable surfaces and green roofs.
5. **Level of service** – parameters, or combination of parameters, which reflect social, political, environmental and economic outcomes that the organization delivers. Parameters can include, but are not necessarily limited to, safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environmental acceptability, cost, and availability.
6. **Lifecycle activities** – activities undertaken with respect to a municipal infrastructure asset over its service life, including constructing, maintaining, renewing, operating and decommissioning, and all engineering and design work associated with those activities.
7. **Municipal infrastructure asset** – an infrastructure asset, including a green infrastructure asset, directly owned by a City or included on the consolidated financial statements of a City, but does not include an infrastructure asset that is managed by a joint municipal water board.