

Financial Statements of

**THE BELFRY THEATRE SOCIETY**

Year ended May 31, 2016



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## INDEPENDENT AUDITORS' REPORT

To the Directors of The Belfry Theatre Society

We have audited the accompanying financial statements of The Belfry Theatre Society, which comprise the balance sheet as at May 31, 2016, the statements of operations and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 Belfry Theatre Society as at May 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Report on Other Legal and Regulatory Requirements**

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles applied by The Belfry Theatre Society in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Professional Accountants

September 12, 2016

Victoria, Canada

# THE BELFRY THEATRE SOCIETY

## Balance Sheet

May 31, 2016, with comparative information for 2015

	Operating Fund	Capital Fund	Total 2016	Total 2015
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,484,654	\$ -	\$ 1,484,654	\$ 1,171,596
Accounts receivable (note 2)	6,139	-	6,139	14,489
Prepaid expenses and deposits	69,593	-	69,593	34,495
Securities held	30,544	-	30,544	30,461
Interfund accounts	(275,586)	275,586	-	-
	1,315,344	275,586	1,590,930	1,251,041
Capital assets (note 3)	-	1,809,742	1,809,742	1,861,127
	\$ 1,315,344	\$ 2,085,328	\$ 3,400,672	\$ 3,112,168

## Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 82,591	\$ -	\$ 82,591	\$ 72,185
Deferred revenue	271,925	-	271,925	107,458
Prepaid season tickets	445,102	-	445,102	405,274
Current portion of deferred contributions (note 5)	-	6,890	6,890	6,890
	799,618	6,890	806,508	591,807
Deferred contributions (note 5)	-	268,696	268,696	275,586
Fund balances (deficit):				
Unrestricted	97,057	1,809,742	1,906,799	1,865,415
Internally Restricted - Artistic (note 6)	116,901	-	116,901	106,031
Internally Restricted - Capital (note 6)	301,768	-	301,768	273,329
	515,726	1,809,742	2,325,468	2,244,775
	\$ 1,315,344	\$ 2,085,328	\$ 3,400,672	\$ 3,112,168

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# THE BELFRY THEATRE SOCIETY

## Statements of Operations

Year ended May 31, 2016, with comparative information for 2015

	Operating Fund	Capital Fund	Total 2016	Total 2015
<b>Revenue:</b>				
Earned revenues	\$ 1,416,842	\$ -	\$ 1,416,842	\$ 1,135,817
Public funding (note 7)	771,000	-	771,000	799,600
Private fundraising (note 8)	612,813	-	612,813	485,982
GST recovery	31,213	-	31,213	24,764
Interest income	5,323	-	5,323	6,634
	2,837,191	-	2,837,191	2,452,797
<b>Expenses:</b>				
Creative and production expenses	1,053,366	-	1,053,366	801,166
Artistic and production overheads	412,800	-	412,800	403,115
Publicity, promotion and marketing	396,206	-	396,206	407,394
Box office, bar and concession	278,084	-	278,084	268,094
Administration	245,269	-	245,269	232,988
Facility	135,986	-	135,986	118,279
Fundraising	171,485	-	171,485	104,217
Amortization of capital assets	-	62,010	62,010	60,813
Equipment rental	1,292	-	1,292	959
	2,694,488	62,010	2,756,498	2,397,025
Excess of revenue over expenses	142,703	(62,010)	80,693	55,772
Fund balances, beginning of year	383,648	1,861,127	2,244,775	2,189,003
Transfer for capital asset purchases	(10,625)	10,625	-	-
<b>Fund balances, end of year</b>	<b>\$ 515,726</b>	<b>\$ 1,809,742</b>	<b>\$ 2,325,468</b>	<b>\$ 2,244,775</b>

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

## Statement of Cash Flows

Year ended May 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 80,693	\$ 55,772
Items not involving cash:		
Amortization of capital assets	62,010	60,813
Amortization of deferred contributions	(6,890)	(6,890)
	135,813	109,695
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	8,350	(9,628)
Increase in prepaid expenses	(35,098)	(14,471)
Increase in securities held	(83)	-
Increase (decrease) in accounts payable and accrued liabilities	10,406	(15,804)
Increase in deferred revenue	164,467	26,624
Increase in prepaid season tickets	39,828	30,812
	323,683	127,228
Investing:		
Additions to capital assets	(10,625)	(29,764)
Increase in cash and cash equivalents	313,058	97,464
Cash and cash equivalents, beginning of year	1,171,596	1,074,132
Cash and cash equivalents, end of year	\$ 1,484,654	\$ 1,171,596

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended May 31, 2016

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## **Nature of operations:**

The Belfry Theatre Society (the "Society") is a registered charitable organization and is exempt from income taxes under the provisions of the Income Tax Act.

The Society presents theatrical productions from its own theatre at 1291 Gladstone Avenue, Victoria, British Columbia to audiences in the Greater Victoria area.

## **1. Significant accounting policies:**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### **(a) Fund accounting:**

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the property and equipment.

### **(b) Revenue recognition:**

The Society follows the deferral method of accounting for contributions, which include grants and donations. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ticket receipts are recorded as revenue in the year to which they apply. Prepaid season tickets reflect amounts received by the Society for performances subsequent to the Society's year-end.

### **(c) Cash and cash equivalents:**

Cash and cash equivalents include term deposits with a term to maturity of 90 days or less at acquisition.

### **(d) Deferred revenue:**

Deferred revenue reflects restricted contributions received in the current period that relate to activities that will be performed in the subsequent period.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Capital assets:

Capital assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Building	Straight-line	60 years
Equipment	Straight-line	10 years
Computers	Straight-line	7 years

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets. Actual results could differ from those estimates.



# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

## 1. Significant accounting policies (continued):

### (h) Donated materials and services:

Receipt of contributions of materials and services is recognized as revenue when these materials and services are used in the normal course of business and would otherwise have been purchased.

## 2. Accounts receivable:

Included in accounts receivable are nil (2015 - \$5,762) of advances to employees which were fully repaid subsequent to year end.

## 3. Capital assets:

	2016		
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	3,255,164	1,522,863	1,732,301
Equipment	59,923	46,411	13,512
Computer	32,901	8,952	23,949
	<u>\$ 3,387,968</u>	<u>\$ 1,578,226</u>	<u>\$ 1,809,742</u>

	2015		
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	3,255,164	1,467,474	1,787,690
Equipment	52,436	44,490	7,946
Computer	29,763	4,252	25,511
	<u>\$ 3,377,343</u>	<u>\$ 1,516,216</u>	<u>\$ 1,861,127</u>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

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#### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$19,365 (2015 - \$14,003), which includes amounts payable for provincial sales tax and payroll related taxes.

#### 5. Deferred contributions:

Deferred contributions relate to externally restricted funding which was utilized to repay the Society's mortgage. These contributions have been deferred and revenue is being recognized straight-line over the estimated useful life of the building.

	2016	2015
Opening balance, deferred contributions	\$ 282,476	\$ 289,366
Amortization	(6,890)	(6,890)
Closing balance, deferred contributions	275,586	282,476
Less current portion	6,890	6,890
	<u>\$ 268,696</u>	<u>\$ 275,586</u>

#### 6. Internally restricted fund balances:

At June 1, 2011, the Society's board of directors had internally restricted resources in the amount of \$450,000. Of this amount \$150,000 is to be used towards artistic endeavours and \$300,000 is to be maintained for capital expenditures and for significant repair and maintenance expenditures. These internally restricted amounts are not available for other purposes without approval of the board of directors. During 2016, the Board approved the transfer of \$26,192 from the Unrestricted Fund to the Capital Fund for money collected from the Belfry Futures Fund, and \$10,000 from the Unrestricted Fund to the Artistic Fund for Christmas Carol Royalties. During 2015, the Board approved the transfer of \$20,000 from the Capital Fund to the Unrestricted Fund for the purchase of computer equipment.

During 2016, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$3,117 (2015 - \$4,028) was allocated by interfund transfer. The Artistic Fund received \$870 (2015 - \$1,022) and the Capital Fund received \$2,247 (2015 - \$3,006).

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

## 6. Internally restricted fund balances (continued):

	2016	2015
<b>Artistic Fund</b>		
Balance, beginning of year	\$ 106,031	\$ 105,009
Interfund transfer - interest	870	1,022
Interfund transfer - other	10,000	-
<b>Balance, end of year</b>	<b>\$ 116,901</b>	<b>\$ 106,031</b>
<b>Capital Fund</b>		
Balance, beginning of year	\$ 273,329	\$ 290,323
Interfund transfer - interest	2,247	3,006
Interfund transfer - other	26,192	(20,000)
<b>Balance, end of year</b>	<b>\$ 301,768</b>	<b>\$ 273,329</b>

## 7. Public funding:

	2016	2015
Canada Council for the Arts	\$ 234,000	\$ 234,000
Canadian Heritage Arts Presentation Fund	25,000	22,500
CRD Arts Development	205,000	205,000
BC Arts Council - Operating	197,500	192,500
BC Arts Council - Other	19,500	55,600
BC Government Community Gaming Grant	90,000	90,000
	<b>\$ 771,000</b>	<b>\$ 799,600</b>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

## 8. Private fundraising:

	2016	2015
Sponsorships - in kind	\$ 202,899	\$ 193,459
Individual donations - cash	155,151	128,499
Events	81,870	57,825
Sponsorships - cash	60,472	54,098
Bequests	54,643	-
Foundations	33,181	31,398
Individual donations - in kind	17,707	-
Endowment	-	13,791
Other	6,890	6,912
	<u>\$ 612,813</u>	<u>\$ 485,982</u>

## 9. Belfry Endowment Fund:

The Belfry Endowment Fund was established during the 2006 fiscal year. The fund is held in perpetuity and administered by the Victoria Foundation, and was established with funds from the Belfry Theatre Society and other organizations. Earnings received from the fund in 2016 were nil (2015 - \$13,971), as determined by the Victoria Foundation. When received, earnings are included in private fundraising presented on the statement of operations. The market value of investments held in the Belfry Endowment Fund at May 31, 2016 was \$229,888 (2015 - \$235,186) and is not recorded in the financial statements.

## 10. Financial risks and concentration of risk:

### (a) Credit risk:

Credit risk refers to the risk that a third party may default on its contractual obligations resulting in a financial loss. For cash and cash equivalents and accounts receivable, the Society's credit risk is limited to the carrying value on the balance sheet. The Society manages the risk associated with the concentration of credit risk through its policy of dealing with credit worthy financial institutions.

### (b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

There has been no change to the risk exposures from 2015.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2016

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## 11. Commitments:

The Society made a commitment to purchase 274 theatre seats during the year for a total purchase price of \$182,183. As at May 31, 2016, a deposit of \$41,785 had been paid and was recorded in prepaid expenses. The balance of \$140,398 was paid in full on July 14, 2016.

## 12. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.