Financial Statements of

THE BELFRY THEATRE SOCIETY

And Independent Auditors' Report thereon

Year ended May 31, 2019

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Directors of The Belfry Theatre Society

Opinion

We have audited the financial statements of The Belfry Theatre Society (the Entity), which comprise:

- the statement of financial position as at May 31, 2019
- the statement of operations and changes in fund balances 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 May 31, 2019 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.

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 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.

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with applicable financial reporting framework have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

September 16, 2019

THE BELFRY THEATRE SOCIETY

Statement of Financial Position

May 31, 2019, with comparative information for 2018

	Operating Fund	Capital Fund	Total 2019	Total 2018
Assets				
Current assets:				
Cash and cash equivalents (note 2)	$ 687,811	$ -	$ 687,811	$ 1,057,986
Accounts receivable	34,987	-	34,987	1,155
Prepaid expenses and deposits	61,684	-	61,684	23,339
Securities held	-	-	-	55,014
Interfund accounts	(305,211)	305,211	-	-
	479,271	305,211	784,482	1,137,494
Capital assets (note 3)	-	3,248,732	3,248,732	2,928,308
	$ 479,271	$ 3,553,943	$ 4,033,214	$ 4,065,802
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$ 89,668	$ -	$ 89,668	$ 90,507
Deferred revenue	84,504	-	84,504	201,796
Prepaid season tickets	447,928	-	447,928	447,779
	622,100	-	622,100	740,082
Deferred contributions (note 5)	-	1,080,222	1,080,222	1,078,815
Fund balances:				
Unrestricted	(575,370)	2,473,721	1,898,351	1,818,983
Internally Restricted - Artistic (note 6)	121,216	-	121,216	119,497
Internally Restricted - Capital (note 6)	311,325	-	311,325	308,425
	(142,829)	2,473,721	2,330,892	2,246,905
Subseqent events (note 12)				
	$ 479,271	$ 3,553,943	$ 4,033,214	$ 4,065,802

See accompanying notes to financial statements.

On behalf of the Board:

_________________ Director _________________ Director

THE BELFRY THEATRE SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended May 31, 2019, with comparative information for 2018

	Operating Fund	Capital Fund	Total 2019	Total 2018
Revenue:				
Earned revenues	$ 1,364,359	$ -	$ 1,364,359	$ 1,391,188
Public funding (note 7)	895,025	-	895,025	860,960
Private fundraising (note 8)	632,264	-	632,264	545,910
GST recovery	28,382	-	28,382	29,021
Interest income	7,890	-	7,890	6,136
Insurance recoveries	73,168	-	73,168	-
Amortization of deferred contributions (note 5)	-	34,714	34,714	31,102
	3,001,088	34,714	3,035,802	2,864,317
Expenses:				
Creative and production expenses	1,096,334	-	1,096,334	1,178,775
Marketing, communications and audience engagement	428,680	-	428,680	445,862
Artistic and production overheads	397,926	-	397,926	360,431
Box office, bar and concession	271,563	-	271,563	261,447
Administration	267,710	-	267,710	262,523
Fundraising	155,487	-	155,487	174,497
Facility	146,581	-	146,581	172,914
Company management	61,124	-	61,124	36,636
Equipment rental	1,289	-	1,289	1,326
Amortization of capital assets	-	125,121	125,121	102,981
Capital campaign expenses	-	-	-	2,082
	2,826,694	125,121	2,951,815	2,999,474
Excess (deficiency) of revenue over expenses	174,394	(90,407)	83,987	(135,157)
Fund balances, beginning of year	46,206	2,200,699	2,246,905	2,382,062
Transfer for capital asset purchases	(363,429)	363,429	-	-
Fund balances, end of year	$ (142,829)	$ 2,473,721	$ 2,330,892	$ 2,246,905

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Cash Flows

Year ended May 31, 2019, with comparative information for 2018

		2019		2018
Cash provided by (used in):				
Operations:				
Excess (deficiency) of revenue over expenses	$	83,987	$	(135,157)
Items not involving cash:				
Amortization of capital assets		125,121		102,981
Amortization of deferred contributions		(34,714)		(31,102)
		174,394		(63,278)
Changes in non-cash operating working capital:				
Decrease (increase) in accounts receivable		(33,832)		2,104
Decrease (increase) in prepaid expenses		(38,345)		23,550
Increase in securities held		55,014		(22,386)
Increase (decrease) in accounts payable and accrued liabilities		(839)		(120,266)
Increase (decrease) in deferred revenue		(117,292)		147,587
Increase in prepaid season tickets		149		32,183
		39,249		(506)
Financing:				
Increase in deferred contributions		36,121		412,633
Investing:				
Additions to capital assets		(445,545)		(886,484)
Decrease in cash and cash equivalents		(370,175)		(474,357)
Cash and cash equivalents, beginning of year		1,057,986		1,532,343
Cash and cash equivalents, end of year	$	687,811	$	1,057,986

See accompanying notes to financial statements.

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. On November 28, 2016, the new Societies Act (British Columbia) became effective. On October 3, 2018, the Society transitioned to the new 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.

1. Significant accounting policies (continued):

(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.

(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	40 - 60 years
Equipment	Straight-line	10 years
Building amenities	Straight-line	25 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.

1. Significant accounting policies (continued):

(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.

(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. Cash and cash equivalents:

Included within cash and cash equivalents are gaming funds of $892 (2018 - $135,995) held as restricted cash.

3. Capital assets:

	Cost	Accumulated amortization	2019 Net book value
Land	$ 39,980	$ -	$ 39,980
Building	4,536,294	1,746,480	2,789,814
Equipment	221,745	74,629	147,116
Building amenities	264,022	26,157	237,865
Computer	63,277	29,320	33,957
	$ 5,125,318	$ 1,876,586	$ 3,248,732

3. Capital assets (continued):

		Cost		Accumulated amortization		2018 Net book value
Land	$	39,980	$	-	$	39,980
Building		4,272,024		1,659,063		2,612,961
Equipment		122,653		56,526		66,127
Building amenities		204,551		15,596		188,955
Computer		40,565		20,280		20,285
	$	4,679,773	$	1,751,465	$	2,928,308

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $15,473 (2018 - $12,813), which includes amounts payable for sales tax and payroll related taxes.

5. Deferred contributions:

Deferred contributions relate to externally restricted funding utilized for various capital projects. These contributions have been deferred and revenue is being recognized straight-line over the estimated useful life of the asset for which the funds were used.

		2019		2018
Opening balance, deferred contributions	$	1,078,815	$	697,284
Contributions for theatre renovation - public fundraising		36,121		140,643
Contributions for theatre renovation - Western Economic Diversification Canada		-		197,748
Contributions for capital projects - BC Government Community Gaming Grant		-		74,242
Amortization recognized as revenue		(34,714)		(31,102)
	$	1,080,222	$	1,078,815

The Western Economic Diversification Canada funding is provided through the Canada 150 Community Infrastructure Program.

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 was to be used towards artistic endeavours and $300,000 was to be used 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. There were no Board approved transfers during 2018 or 2019.

During 2019, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling $4,619 (2018 - $6,029) was allocated by interfund transfer. The Artistic Fund received $1,719 (2018 - $1,763) and the Capital Fund received $2,900 (2018 - $4,266).

	2019	2018
Artistic Fund		
Balance, beginning of year	$ 119,497	$ 117,734
Interfund transfer - interest	1,719	1,763
Balance, end of year	$ 121,216	$ 119,497
Capital Fund		
Balance, beginning of year	$ 308,425	$ 304,159
Interfund transfer - interest	2,900	4,266
Balance, end of year	$ 311,325	$ 308,425

7. Public funding:

	2019	2018
Canada Council for the Arts	$ 325,000	$ 325,000
Canadian Heritage Arts Presentation Fund	25,000	25,000
CRD Arts Development	220,000	217,460
BC Arts Council - Operating	235,025	197,500
BC Government Community Gaming Grant	90,000	90,000
BC Leadership	-	6,000
	$ 895,025	$ 860,960

8. Private fundraising:

	2019	2018
Sponsorships - in kind	$ 177,541	$ 193,420
Individual donations - cash	196,917	169,280
Events	75,947	56,315
Sponsorships - cash	82,500	81,897
Bequests	21,683	11,815
Foundations	53,435	5,296
Individual donations - in kind	14,827	18,772
Distributions from Belfry Endowment Fund (note 9)	9,414	9,115
	$ 632,264	$ 545,910

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 2019 were $9,414 (2018 - $9,115), 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, 2019 was $243,074 (2018 - $243,136) 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 2018.

11. Remuneration paid to employees, directors and contractors:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amount paid to individuals whose remuneration was greater than $75,000. For the fiscal year ending May 31, 2019, the Society paid total remuneration of $193,194 (2018 - $198,397) to two employees, each of whom received total annual remuneration of $75,000 or greater. No compensation was paid to directors.

12. Subsequent events:

Subsequent to year end, a bequest of $211,101 was received by the Society.