

Financial Statements of

**THE BELFRY THEATRE SOCIETY**

Year ended May 31, 2018



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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 statement of financial position as at May 31, 2018, the statements of operations and changes in fund balances 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 in our audit 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, 2018, 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.

*Other Matter*

As required by the Societies 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*

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Chartered Professional Accountants

Victoria, Canada  
August 29, 2018

# THE BELFRY THEATRE SOCIETY

## Statement of Financial Position

May 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	Total 2018	Total 2017
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (note 2)	\$ 1,057,986	\$ -	\$ 1,057,986	\$ 1,532,343
Accounts receivable	1,155	-	1,155	3,259
Prepaid expenses and deposits	23,339	-	23,339	46,889
Securities held	55,014	-	55,014	32,628
Interfund accounts	(351,206)	351,206	-	-
	786,288	351,206	1,137,494	1,615,119
Capital assets (note 3)	-	2,928,308	2,928,308	2,144,805
	\$ 786,288	\$ 3,279,514	\$ 4,065,802	\$ 3,759,924

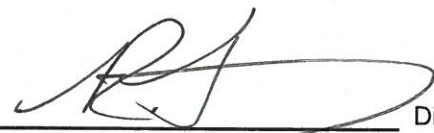
## Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 90,507	\$ -	\$ 90,507	\$ 210,773
Deferred revenue	201,796	-	201,796	54,209
Prepaid season tickets	447,779	-	447,779	415,596
	740,082	-	740,082	680,578
Deferred contributions (note 5)	-	1,078,815	1,078,815	697,284
Fund balances:				
Unrestricted	(381,716)	2,200,699	1,818,983	1,960,169
Internally Restricted - Artistic (note 6)	119,497	-	119,497	117,734
Internally Restricted - Capital (note 6)	308,425	-	308,425	304,159
	46,206	2,200,699	2,246,905	2,382,062
	\$ 786,288	\$ 3,279,514	\$ 4,065,802	\$ 3,759,924

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# THE BELFRY THEATRE SOCIETY

## Statements of Operations and Changes in Fund Balances

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

	Operating Fund	Capital Fund	Total 2018	Total 2017
<b>Revenue:</b>				
Earned revenues	\$ 1,391,188	\$ -	\$ 1,391,188	\$ 1,296,087
Public funding (note 7)	860,960	-	860,960	783,010
Private fundraising (note 8)	545,910	-	545,910	642,111
GST recovery	29,021	-	29,021	23,322
Interest income	6,136	-	6,136	8,363
Amortization of deferred contributions	-	31,102	31,102	14,304
	2,833,215	31,102	2,864,317	2,767,197
<b>Expenses:</b>				
Creative and production expenses	1,178,775	-	1,178,775	1,016,472
Marketing, communications and audience engagement	445,862	-	445,862	410,255
Artistic and production overheads	360,431	-	360,431	349,371
Administration	262,523	-	262,523	254,275
Box office, bar and concession	261,447	-	261,447	259,750
Fundraising	174,497	-	174,497	122,401
Facility	172,914	-	172,914	127,211
Company management	36,636	-	36,636	51,990
Capital campaign expenses	2,082	-	2,082	47,419
Equipment rental	1,326	-	1,326	1,201
Amortization of capital assets	-	102,981	102,981	70,258
	2,896,493	102,981	2,999,474	2,710,603
Excess (deficiency) of revenue over expenses	(63,278)	(71,879)	(135,157)	56,594
Fund balances, beginning of year	629,330	1,752,732	2,382,062	2,325,468
Transfer for capital asset purchases	(519,846)	519,846	-	-
Fund balances, end of year	\$ 46,206	\$ 2,200,699	\$ 2,246,905	\$ 2,382,062

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

## Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (135,157)	\$ 56,594
Items not involving cash:		
Amortization of capital assets	102,981	70,258
Amortization of deferred contributions	(31,102)	(14,304)
	(63,278)	112,548
Changes in non-cash operating working capital:		
Decrease in accounts receivable	2,104	2,880
Decrease in prepaid expenses	23,550	22,704
Increase in securities held	(22,386)	(2,084)
Increase (decrease) in accounts payable and accrued liabilities	(120,266)	128,182
Increase (decrease) in deferred revenue	147,587	(217,716)
Increase (decrease) in prepaid season tickets	32,183	(29,506)
	(506)	17,008
Financing:		
Increase in deferred contributions	412,633	436,002
Investing:		
Additions to capital assets	(886,484)	(405,321)
Increase (decrease) in cash and cash equivalents	(474,357)	47,689
Cash and cash equivalents, beginning of year	1,532,343	1,484,654
Cash and cash equivalents, end of year	\$ 1,057,986	\$ 1,532,343

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended May 31, 2018

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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.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

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## 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.



# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

## 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 deferred gaming funds of \$135,995 (2017 - \$8,225) held as restricted cash.

## 3. Capital assets:

			2018
	Cost	Accumulated amortization	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
	<b>\$ 4,679,773</b>	<b>\$ 1,751,465</b>	<b>\$ 2,928,308</b>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

### 3. Capital assets (continued):

			2017
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	3,255,164	1,578,252	1,676,912
Equipment	59,923	48,332	11,591
Building amenities	185,360	7,414	177,946
Computer	38,735	14,486	24,249
Work in progress - building renovations	214,127	-	214,127
	<u>\$ 3,793,289</u>	<u>\$ 1,648,484</u>	<u>\$ 2,144,805</u>

During 2018, a portion of the building owned by the Society caught fire, resulting in damages to fully depreciated capital assets, including production dimmers, flooring, and electrical wiring. The damaged equipment and contents were included in the Society's insurance policy and are likely to be recovered by the Society. Insurance proceeds for the damages incurred cannot be estimated at this time.

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$12,813 (2017 - \$38,836), 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.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

## 5. Deferred contributions (continued):

	2018	2017
Opening balance, deferred contributions	\$ 697,284	\$ 275,586
Contributions for theatre renovation - public fundraising	140,643	293,750
Contributions for theatre renovation - Western Economic Diversification Canada	197,748	142,252
Contributions for capital projects - BC Government Community Gaming Grant	74,242	-
Amortization recognized as revenue	(31,102)	(14,304)
	<u>\$ 1,078,815</u>	<u>\$ 697,284</u>

The Western Economic Diversification Canada funding is provided through the Canada 150 Community Infrastructure Program. Unspent deferred capital contributions as at May 31, 2018 were \$45,995 (2017 - \$36,515), which relates to contributions received in 2018 by the BC Government Community Gaming Grant.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

## 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 2017 or 2018.

During 2018, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$6,029 (2017 - \$3,224) was allocated by interfund transfer. The Artistic Fund received \$1,763 (2017 - \$833) and the Capital Fund received \$4,266 (2017 - \$2,391).

	2018	2017
<b>Artistic Fund</b>		
Balance, beginning of year	\$ 117,734	\$ 116,901
Interfund transfer - interest	1,763	833
<b>Balance, end of year</b>	<b>\$ 119,497</b>	<b>\$ 117,734</b>
<b>Capital Fund</b>		
Balance, beginning of year	\$ 304,159	\$ 301,768
Interfund transfer - interest	4,266	2,391
<b>Balance, end of year</b>	<b>\$ 308,425</b>	<b>\$ 304,159</b>

## 7. Public funding:

	2018	2017
Canada Council for the Arts	\$ 325,000	\$ 235,980
Canadian Heritage Arts Presentation Fund	25,000	25,000
CRD Arts Development	217,460	214,530
BC Arts Council - Operating	197,500	197,500
BC Arts Council - Other	-	20,000
BC Government Community Gaming Grant	90,000	90,000
BC Leadership	6,000	-
	<b>\$ 860,960</b>	<b>\$ 783,010</b>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

## 7. Public funding (continued):

The Society received capital contributions during the year from Western Economic Diversification Canada of \$197,748 and BC Community Gaming Grant of \$74,242, which have been recorded as deferred contributions. Refer to note 5.

## 8. Private fundraising:

	2018	2017
Sponsorships - in kind	\$ 193,420	\$ 188,786
Individual donations - cash	169,280	141,839
Events	56,315	60,983
Sponsorships - cash	81,897	70,523
Bequests	11,815	120,000
Foundations	5,296	38,000
Individual donations - in kind	18,772	4,990
Distributions from Belfry Endowment Fund (note 9)	9,115	16,990
	\$ 545,910	\$ 642,111

The Society received private fundraising contributions during the year of \$140,643, which have been recorded as deferred contributions. Refer to note 5.

## 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 2018 were \$9,115 (2017 - 16,990), 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, 2018 was \$243,136 (2017 - \$240,658) and is not recorded in the financial statements.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2018

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## 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 2017.

## 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 statement 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, 2018, the Society paid total remuneration of 198,397 (2017 - \$202,987) to two employees, each of whom received total annual remuneration of \$75,000 or greater. No compensation was paid to directors.

## 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 excess (deficiency) of revenue over expenses.