

Financial Statements of

THE BELFRY THEATRE SOCIETY

And Independent Auditor's Report thereon

Year ended June 30, 2023



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INDEPENDENT AUDITOR'S 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 June 30, 2023
- 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 June 30, 2023 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 the applicable financial reporting framework have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

August 30, 2023

THE BELFRY THEATRE SOCIETY

Statement of Financial Position

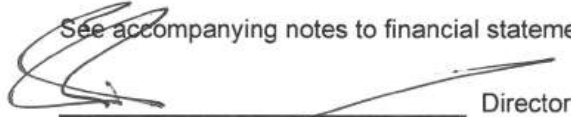
June 30, 2023, with comparative information for 2022

	Operating Fund	Capital Fund	2023	2022
Assets				
Current assets:				
Cash and cash equivalents (note 2)	\$ 2,030,540	\$ -	\$ 2,030,540	\$ 1,511,493
Accounts receivable (note 3)	-	-	-	7,500
Prepaid expenses and deposits	106,456	-	106,456	112,438
Interfund accounts	(305,211)	305,211	-	-
	1,831,785	305,211	2,136,996	1,631,431
Capital assets (note 4)	-	3,084,145	3,084,145	3,146,658
	\$ 1,831,785	\$ 3,389,356	\$ 5,221,141	\$ 4,778,089

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 5)	\$ 83,376	\$ -	\$ 83,376	\$ 118,197
Deferred revenue	757,541	-	757,541	450,464
Prepaid season tickets	372,187	-	372,187	260,001
	1,213,104	-	1,213,104	828,662
Deferred contributions (note 6)	-	1,165,694	1,165,694	1,177,237
Fund balances:				
Unrestricted	154,166	2,223,662	2,377,828	2,323,860
Internally Restricted - Artistic (note 7)	129,892	-	129,892	125,523
Internally Restricted - Capital (note 7)	334,623	-	334,623	322,807
	618,681	2,223,662	2,842,343	2,772,190
	\$ 1,831,785	\$ 3,389,356	\$ 5,221,141	\$ 4,778,089

See accompanying notes to financial statements.

 Director

 Director

THE BELFRY THEATRE SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended June 30, 2023, with comparative information for 2022

	Operating Fund	Capital Fund	2023	2022
Revenue:				
Earned revenues	\$ 963,400	\$ -	\$ 963,400	\$ 520,437
Public funding (note 8)	1,252,562	-	1,252,562	1,549,244
Private fundraising (note 9)	575,580	-	575,580	569,101
GST recovery	19,856	-	19,856	15,687
Interest income	36,424	-	36,424	4,135
Amortization of deferred contributions (note 6)	-	49,621	49,621	48,097
	2,847,822	49,621	2,897,443	2,706,701
Expenses:				
Creative and production expenses	1,025,924	-	1,025,924	1,055,020
Marketing, communications and audience engagement	382,317	-	382,317	307,835
Artistic and production overheads	394,490	-	394,490	354,375
Box office, bar and concession	255,459	-	255,459	207,177
Administration	283,054	-	283,054	292,556
Fundraising	156,043	-	156,043	139,883
Facility	153,776	-	153,776	135,633
Company management	35,518	-	35,518	32,763
Equipment rental	984	-	984	984
Amortization of capital assets	-	139,725	139,725	136,637
	2,687,565	139,725	2,827,290	2,662,863
Earnings (deficiency) before the undernoted	160,257	(90,104)	70,153	43,838
Other income:				
Bequests		-		30,000
Excess (deficiency) of revenue over expenses	160,257	(90,104)	70,153	73,838
Fund balances, beginning of year	497,558	2,274,632	2,772,190	2,698,352
Interfund transfers	(39,134)	39,134	-	-
Fund balances, end of year	\$ 618,681	\$ 2,223,662	\$ 2,842,343	\$ 2,772,190

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Cash Flows

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 70,153	\$ 73,838
Items not involving cash:		
Amortization of capital assets	139,725	136,637
Amortization of deferred contributions	(49,621)	(48,097)
	<u>160,257</u>	<u>162,378</u>
Changes in non-cash operating working capital:		
Decrease in accounts receivable	7,500	51,383
Decrease (increase) in prepaid expenses and deposits	5,982	(64,218)
Increase (decrease) in accounts payable and accrued liabilities	(34,822)	20,605
Increase in deferred revenue	307,077	944
Increase in prepaid season tickets	112,186	260,001
	<u>558,180</u>	<u>431,093</u>
Financing:		
Increase in deferred capital contributions	38,078	902
Canada Emergency Business Account loan	-	(40,000)
	<u>38,078</u>	<u>(39,098)</u>
Investing:		
Additions to capital assets	(77,211)	(4,280)
Increase in cash and cash equivalents	519,047	387,715
Cash and cash equivalents, beginning of year	1,511,493	1,123,778
Cash and cash equivalents, end of year	<u>\$ 2,030,540</u>	<u>\$ 1,511,493</u>

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended June 30, 2023

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.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

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	5 - 7 years

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(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.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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. Items subject to such estimates and assumptions include the carrying amount and 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 \$100,762 (2022 - \$103,048) held as restricted cash.

3. Bank credit facilities:

The Society has an available line of credit to a maximum of \$250,000 subject to interest at prime plus 1.25%. As at June 30, 2023, no amounts were drawn on the facility (2022 - nil).

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

4. Capital assets:

	2023		
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	4,613,508	2,032,695	2,580,813
Equipment	265,529	160,236	105,293
Building amenities	515,138	173,895	341,243
Computer	77,657	60,841	16,816
	<u>\$ 5,511,812</u>	<u>\$ 2,427,667</u>	<u>\$ 3,084,145</u>

	2022		
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	4,536,294	1,942,189	2,594,105
Equipment	265,529	138,469	127,060
Building amenities	515,138	153,289	361,849
Computer	77,657	53,993	23,664
	<u>\$ 5,434,598</u>	<u>\$ 2,287,940</u>	<u>\$ 3,146,658</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$10,149 (2022 - \$42,971), which includes amounts payable for sales tax and payroll related taxes.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

6. 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.

	2023	2022
Opening balance, deferred contributions	\$ 1,177,237	\$ 1,224,432
Contributions for theatre renovation - public fundraising	-	902
Contributions for wall remediation - Victoria Civic Heritage trust	38,078	-
Amortization recognized as revenue	(49,621)	(48,097)
	\$ 1,165,694	\$ 1,177,237

7. 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 fiscal 2022 or 2023.

During fiscal 2023, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$16,185 (2022 - \$2,296) was allocated by interfund transfer. The Artistic Fund received \$4,369 (2022 - \$460) and the Capital Fund received \$11,816 (2022 - \$1,836).

	2023	2022
Artistic Fund		
Balance, beginning of year	\$ 125,523	\$ 125,063
Interfund transfer - interest	4,369	460
Balance, end of year	\$ 129,892	\$ 125,523

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

7. Internally restricted fund balances (continued):

	2023	2022
Capital Fund		
Balance, beginning of year	\$ 322,807	\$ 320,971
Interfund transfer - interest	11,816	1,836
Balance, end of year	\$ 334,623	\$ 322,807

8. Public funding:

	2023	2022
Canada Council for the Arts	\$ 640,000	\$ 450,000
Canadian Heritage	77,500	123,500
CRD Arts Development	232,000	220,000
BC Arts Council	180,000	460,000
BC Government Community Gaming Grant	100,000	90,000
Disability Alliance of BC	11,362	8,791
Others	11,700	11,000
Government of Canada - CEWS	-	96,112
Government of Canada - THRP	-	61,674
CHRC Grant	-	28,167
	\$ 1,252,562	\$ 1,549,244

9. Private fundraising:

	2023	2022
Sponsorships - in kind	\$ 98,220	\$ 94,588
Individual donations - cash	187,480	263,981
Events	54,876	33,293
Sponsorships - cash	85,500	99,450
Foundations	121,134	54,795
Distributions from Belfry Endowment Fund (note 10)	14,570	22,994
Corporate and other	13,800	-
	\$ 575,580	\$ 569,101

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2023

10. 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 2023 were \$14,570 (2022 - \$22,994), 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 June 30, 2023 was \$334,229 (2022 - \$297,804) and is not recorded in the financial statements.

11. 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 2022.

12. Remuneration paid to employees, directors and contractors:

For the fiscal period ending June 30, 2023, the Society paid total remuneration of \$197,468 (2022 - \$199,219) to two employees (2022 - two employees), each of whom received total annual remuneration of \$75,000 or greater. No compensation was paid to directors.

13. 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.