

Financial Statements of

**THE BELFRY THEATRE
SOCIETY**

Year ended May 31, 2015



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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, 2015, 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 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, 2015, 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 14, 2015

Victoria, Canada

THE BELFRY THEATRE SOCIETY

Balance Sheet

May 31, 2015, with comparative information for 2014

	Operating Fund	Capital Fund	Total 2015	Total 2014
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,171,596	\$ -	\$ 1,171,596	\$ 1,074,132
Accounts receivable (note 2)	14,489	-	14,489	4,861
Prepaid expenses	34,495	-	34,495	20,024
Deposits	30,461	-	30,461	30,461
Interfund accounts	(282,476)	282,476	-	-
	968,565	282,476	1,251,041	1,129,478
Capital assets (note 3)	-	1,861,127	1,861,127	1,892,176
	\$ 968,565	\$ 2,143,603	\$ 3,112,168	\$ 3,021,654

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 72,185	\$ -	\$ 72,185	\$ 87,989
Deferred revenue	107,458	-	107,458	80,834
Prepaid season tickets	405,274	-	405,274	374,462
Current portion of deferred contributions (note 5)	-	6,890	6,890	6,890
	584,917	6,890	591,807	550,175
Deferred contributions (note 5)	-	275,586	275,586	282,476
Fund balances (deficit):				
Unrestricted	4,288	1,861,127	1,865,415	1,793,671
Internally Restricted - Artistic (note 6)	106,031	-	106,031	105,009
Internally Restricted - Capital (note 6)	273,329	-	273,329	290,323
	383,648	1,861,127	2,244,775	2,189,003
	\$ 968,565	\$ 2,143,603	\$ 3,112,168	\$ 3,021,654

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE BELFRY THEATRE SOCIETY

Statements of Operations

Year ended May 31, 2015, with comparative information for 2014

	Operating Fund	Capital Fund	Total 2015	Total 2014
Revenue:				
Earned revenues	\$ 1,132,027	\$ -	\$ 1,132,027	\$ 1,112,613
Public funding (note 7)	799,600	-	799,600	752,500
Private fundraising (note 8)	489,772	-	489,772	417,022
GST recovery	24,764	-	24,764	11,916
Interest income	6,634	-	6,634	9,753
	<u>2,452,797</u>	<u>-</u>	<u>2,452,797</u>	<u>2,303,804</u>
Expenses:				
Creative and production expenses	748,835	-	748,835	773,090
Artistic and production overheads	455,446	-	455,446	479,812
Publicity, promotion and marketing	407,394	-	407,394	384,442
Box office, bar and concession	268,094	-	268,094	276,828
Administration	232,988	-	232,988	231,111
Facility	118,279	-	118,279	134,320
Fundraising	104,217	-	104,217	98,528
Amortization of capital assets	-	60,813	60,813	56,561
Equipment rental	959	-	959	203
	<u>2,336,212</u>	<u>60,813</u>	<u>2,397,025</u>	<u>2,434,895</u>
Excess (deficiency) of revenue over expenses	116,585	(60,813)	55,772	(131,091)
Fund balances, beginning of year	296,827	1,892,176	2,189,003	2,320,094
Transfer for capital asset purchases	(29,764)	29,764	-	-
Fund balances, end of year	\$ 383,648	\$ 1,861,127	\$ 2,244,775	\$ 2,189,003

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Cash Flows

Year ended May 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 55,772	\$ (131,091)
Items not involving cash:		
Amortization of capital assets	60,813	56,561
Amortization of deferred contributions	(6,890)	(6,890)
	109,695	(81,420)
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(9,628)	19,044
Decrease (increase) in prepaid expenses	(14,471)	22,738
Increase (decrease) in accounts payable and accrued liabilities	(15,804)	9,325
Increase in deferred revenue	26,624	55,796
Increase (decrease) in prepaid season tickets	30,812	(40,505)
	127,228	(15,022)
Investing:		
Additions to capital assets	(29,764)	(62,164)
Increase (decrease) in cash and cash equivalents	97,464	(77,186)
Cash and cash equivalents, beginning of year	1,074,132	1,151,318
Cash and cash equivalents, end of year	\$ 1,171,596	\$ 1,074,132

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended May 31, 2015

Nature of operations:

The Belfry Theatre Society (the "Society") is a federally 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 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.

Season 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, 2015

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue reflects amounts 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	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.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2015

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. Accounts receivable:

Included in accounts receivable are \$5,762 (2014 - \$2,000) of advances to employees which were fully repaid subsequent to year end.

3. Capital assets:

			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, 2015

3. Capital assets (continued):

			2014
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	3,255,164	1,412,085	1,843,079
Equipment	52,435	43,318	9,117
	<u>\$ 3,347,579</u>	<u>\$ 1,455,403</u>	<u>\$ 1,892,176</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$14,003 (2014 - \$27,067), which includes amounts payable for GST 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.

	2015		2014	
Opening balance, deferred contributions	\$	289,366	\$	296,256
Amortization		(6,890)		(6,890)
Closing balance, deferred contributions		282,476		289,366
Less current portion		6,890		6,890
	<u>\$</u>	<u>275,586</u>	<u>\$</u>	<u>282,476</u>

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2015

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 2015, the Board approved the transfer of \$20,000 from the Capital Fund to the Unrestricted Fund for the purchase of computer equipment. During 2014, the Board approved the transfer of \$18,245 from the Capital Fund to the Unrestricted Fund for repairs and maintenance costs on the building.

During 2015, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$4,028 (2014 - \$6,294) was allocated by interfund transfer. The Artistic Fund received \$1,022 (2014 - \$2,099) and the Capital Fund received \$3,006 (2014 - \$4,195).

	2015	2014
Artistic Fund		
Balance, beginning of year	\$ 105,009	\$ 102,910
Interfund transfer	1,022	2,099
Balance, end of year	\$ 106,031	\$ 105,009
Capital Fund		
Balance, beginning of year	\$ 290,323	\$ 304,373
Interfund transfer	3,006	4,195
Interfund transfer	(20,000)	(18,245)
Balance, end of year	\$ 273,329	\$ 290,323

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2015

7. Public funding:

	2015	2014
Canada Council for the Arts	\$ 234,000	\$ 234,000
Canadian Heritage Arts Presentation Fund	22,500	22,500
CRD Arts Development	205,000	201,000
BC Arts Council - Operating	192,500	192,500
BC Arts Council - Other	55,600	-
BC Government Community Gaming Grant	90,000	102,500
	\$ 799,600	\$ 752,500

8. Private fundraising:

	2015	2014
Sponsorships - in kind	\$ 193,459	\$ 150,950
Individual donations	128,499	116,022
Events	57,825	54,008
Sponsorships - cash	54,098	57,100
Foundations	31,398	18,255
Endowment	13,791	-
Other	10,702	20,687
	\$ 489,772	\$ 417,022

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 2015 were \$13,791 (2014 - \$nil), 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, 2015 was \$235,186 (2014 - \$220,124) and is not recorded in the financial statements.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2015

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 2014.