

Financial Statements of

**THE BELFRY THEATRE SOCIETY**

And Independent Auditors' Report thereon

Year ended May 31, 2020



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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, 2020
- 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, 2020 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*

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Chartered Professional Accountants

Victoria, Canada

August 26, 2020

# THE BELFRY THEATRE SOCIETY

## Statement of Financial Position

May 31, 2020, with comparative information for 2019

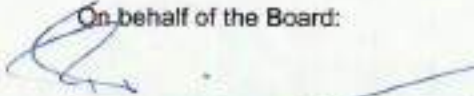
	Operating Fund	Capital Fund	Total 2020	Total 2019
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (note 2)	\$ 726,365	\$ -	\$ 726,365	\$ 687,811
Accounts receivable	41,356	-	41,356	34,987
Prepaid expenses and deposits	10,527	-	10,527	61,684
Interfund accounts	(305,211)	305,211	-	-
	473,037	305,211	778,248	784,482
Capital assets (note 3)	-	3,132,641	3,132,641	3,248,732
	\$ 473,037	\$ 3,437,852	\$ 3,910,889	\$ 4,033,214

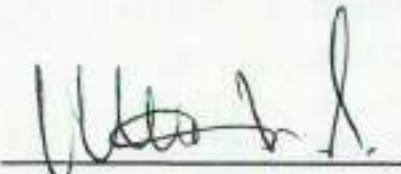
## Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 29,346	\$ -	\$ 29,346	\$ 89,668
Deferred revenue	342,254	-	342,254	84,504
Prepaid season tickets	-	-	-	447,928
	371,600	-	371,600	622,100
Deferred contributions (note 5)	-	1,056,022	1,056,022	1,080,222
Fund balances:				
Unrestricted	(341,722)	2,381,830	2,040,108	1,898,351
Internally Restricted - Artistic (note 6)	124,362	-	124,362	121,216
Internally Restricted - Capital (note 6)	318,797	-	318,797	311,325
	101,437	2,381,830	2,483,267	2,330,892
	\$ 473,037	\$ 3,437,852	\$ 3,910,889	\$ 4,033,214

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, 2020, with comparative information for 2019

	Operating Fund	Capital Fund	Total 2020	Total 2019
<b>Revenue:</b>				
Earned revenues	\$ 853,418	\$ -	\$ 853,418	\$ 1,364,359
Public funding (note 7)	1,105,279	-	1,105,279	895,025
Private fundraising (note 8)	698,562	-	698,562	610,581
GST recovery	8,640	-	8,640	28,382
Interest income	13,724	-	13,724	7,890
Insurance recoveries	-	-	-	73,168
Amortization of deferred contributions (note 5)	-	38,017	38,017	34,714
	<u>2,679,623</u>	<u>38,017</u>	<u>2,717,640</u>	<u>3,014,119</u>
<b>Expenses:</b>				
Creative and production expenses	947,521	-	947,521	1,096,334
Marketing, communications and audience engagement	443,466	-	443,466	428,680
Artistic and production overheads	378,877	-	378,877	397,926
Box office, bar and concession	236,841	-	236,841	271,563
Administration	282,527	-	282,527	267,710
Fundraising	170,053	-	170,053	155,487
Facility	144,014	-	144,014	146,581
Company management	45,418	-	45,418	61,124
Equipment rental	1,218	-	1,218	1,289
Amortization of capital assets	-	126,431	126,431	125,121
	<u>2,649,935</u>	<u>126,431</u>	<u>2,776,366</u>	<u>2,951,815</u>
Earnings (deficiency) before the undemoted	29,688	(88,414)	(58,726)	62,304
<b>Other income:</b>				
Bequests	211,101	-	211,101	21,683
Excess (deficiency) of revenue over expenses	240,789	(88,414)	152,375	83,987
Fund balances, beginning of year	(142,829)	2,473,721	2,330,892	2,246,905
Transfer for capital asset purchases	3,477	(3,477)	-	-
<b>Fund balances, end of year</b>	<b>\$ 101,437</b>	<b>\$ 2,381,830</b>	<b>\$ 2,483,267</b>	<b>\$ 2,330,892</b>

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

## Statement of Cash Flows

Year ended May 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Earnings (deficiency) before the undernoted	\$ 152,375	\$ 83,987
Items not involving cash:		
Amortization of capital assets	126,431	125,121
Amortization of deferred contributions	(38,017)	(34,714)
	240,789	174,394
Changes in non-cash operating working capital:		
Increase in accounts receivable	(6,369)	(33,832)
Decrease (increase) in prepaid expenses	51,157	(38,345)
Increase in securities held	-	55,014
Decrease in accounts payable and accrued liabilities	(60,322)	(839)
Increase (decrease) in deferred revenue	257,750	(117,292)
Increase (decrease) in prepaid season tickets	(447,928)	149
	35,077	39,249
Financing:		
Increase in deferred contributions	13,817	36,121
Investing:		
Additions to capital assets	(10,340)	(445,545)
Increase (decrease) in cash and cash equivalents	38,554	(370,175)
Cash and cash equivalents, beginning of year	687,811	1,057,986
Cash and cash equivalents, end of year	\$ 726,365	\$ 687,811

See accompanying notes to financial statements.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended May 31, 2020

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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. 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 May 31, 2020

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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

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.

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, 2020

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## 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 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.

### (i) Changes in accounting policies:

On April 1, 2019, the Society adopted Section 4433, Tangible capital assets held by not-for-profit organizations, was introduced which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, organizations are to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening fund balances for partial impairments of tangible assets that existed as at April 1, 2019. The implementation of this change had no impact on the financial statements.

## 2. Cash and cash equivalents:

Included within cash and cash equivalents are gaming funds of \$420 (2019 - \$892) held as restricted cash.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2020

### 3. Capital assets:

	2020		
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	4,536,294	1,798,460	2,737,834
Equipment	225,641	93,121	132,520
Building amenities	264,022	72,155	191,867
Computer	69,720	39,280	30,440
	<u>\$ 5,135,657</u>	<u>\$ 2,003,016</u>	<u>\$ 3,132,641</u>

	2019		
	Cost	Accumulated amortization	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
	<u>\$ 5,125,318</u>	<u>\$ 1,876,586</u>	<u>\$ 3,248,732</u>

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2019 - \$15,473), which includes amounts payable for sales tax and payroll related taxes.

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 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.

	2020	2019
Opening balance, deferred contributions	\$ 1,080,222	\$ 1,078,815
Contributions for theatre renovation - public fundraising	13,817	36,121
Amortization recognized as revenue	(38,017)	(34,714)
	<u>\$ 1,056,022</u>	<u>\$ 1,080,222</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 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 2019 or 2020.

During 2020, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$10,618 (2019 - \$4,619) was allocated by interfund transfer. The Artistic Fund received \$3,146 (2019 - \$1,719) and the Capital Fund received \$7,472 (2019 - \$2,900).

	2020	2019
<b>Artistic Fund</b>		
Balance, beginning of year	\$ 121,216	\$ 119,497
Interfund transfer - interest	3,146	1,719
Balance, end of year	<u>\$ 124,362</u>	<u>\$ 121,216</u>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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

	2020	2019
<b>Capital Fund</b>		
Balance, beginning of year	\$ 311,325	\$ 308,425
Interfund transfer - interest	7,472	2,900
<b>Balance, end of year</b>	<b>\$ 318,797</b>	<b>\$ 311,325</b>

## 7. Public funding:

	2020	2019
Canada Council for the Arts	\$ 400,000	\$ 325,000
Canadian Heritage Arts Presentation Fund	27,500	25,000
CRD Arts Development	220,000	220,000
BC Arts Council - Operating	204,000	235,025
BC Government Community Gaming Grant	90,000	90,000
Government of Canada - CEWS	132,622	-
Government of Canada - Federal Wage Subsidy	21,157	-
BC Arts Council - COVID-19 Emergency Fund	10,000	-
	<b>\$ 1,105,279</b>	<b>\$ 895,025</b>

## 8. Private fundraising:

	2020	2019
Sponsorships - in kind	\$ 207,170	\$ 177,541
Individual donations - cash	174,728	196,917
Events	118,021	75,947
Sponsorships - cash	96,000	82,500
Foundations	46,717	53,435
Individual donations - in kind	26,232	14,827
Distributions from Belfry Endowment Fund (note 9)	9,694	9,414
Corporate donations	20,000	-
	<b>\$ 698,562</b>	<b>\$ 610,581</b>

# THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 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 2020 were \$9,694 (2019 - \$9,414), 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, 2020 was \$236,518 (2019 - \$243,074) 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 2019.

## 11. Remuneration paid to employees, directors and contractors:

For the fiscal year ending May 31, 2020, the Society paid total remuneration of \$214,625 (2019 - \$193,194) to two employees, each of whom received total annual remuneration of \$75,000 or greater. No compensation was paid to directors.

## 12. COVID-19:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation presents uncertainty over the Society's future cash flows, and may have a significant impact on the Society's future operations. Potential impact on the Society's operations could include future decreases in revenue and future increases in expenses, and impairments in the value of long-lived assets. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the Society is not practicable at this time.