

Financial Statements of

**THE BELFRY THEATRE
SOCIETY**

Year ended May 31, 2014



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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, 2014, the statements of operations, changes in net assets 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, 2014, 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.



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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 Accountants

October 3, 2014

Victoria, Canada

THE BELFRY THEATRE SOCIETY

Balance Sheet

May 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,074,132	\$ 1,151,318
Accounts receivable	4,861	23,905
Prepaid expenses	20,024	42,762
Deposits	30,461	30,461
	<u>1,129,478</u>	<u>1,248,446</u>
Capital assets (note 2)	1,892,176	1,886,573
	<u>\$ 3,021,654</u>	<u>\$ 3,135,019</u>

Liabilities and Fund Balances

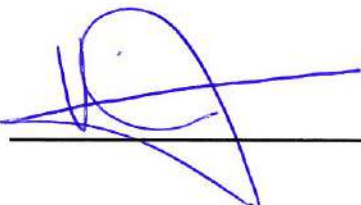
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 87,989	\$ 78,664
Deferred revenue	80,834	25,038
Prepaid season tickets	374,462	414,967
Current portion of deferred contributions (note 4)	6,890	6,890
	<u>550,175</u>	<u>525,559</u>
Deferred contributions (note 4)	282,476	289,366
Fund balances:		
Invested in capital assets	1,892,176	1,886,573
Unrestricted	(98,505)	26,238
Internally Restricted - Artistic (note 6)	105,009	102,910
Internally Restricted - Building (note 6)	290,323	304,373
	<u>2,189,003</u>	<u>2,320,094</u>
	<u>\$ 3,021,654</u>	<u>\$ 3,135,019</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE BELFRY THEATRE SOCIETY

Statements of Operations

Year ended May 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Earned revenues	\$ 1,112,613	\$ 1,337,313
Public funding (note 5)	752,500	758,000
Private fundraising (note 7)	417,022	427,400
GST recovery	11,916	17,173
Interest income	9,753	16,617
	<u>2,303,804</u>	<u>2,556,503</u>
Expenses:		
Creative and production expenses	773,090	1,079,071
Artistic and production overheads	479,812	459,552
Publicity, promotion and marketing	384,442	363,333
Box office, bar and concession	276,828	281,826
Administration	231,111	225,397
Facility	134,320	131,706
Fundraising	98,528	99,366
Amortization of capital assets	56,561	54,664
Equipment rental	203	1,011
	<u>2,434,895</u>	<u>2,695,926</u>
Deficiency of revenue over expenses	\$ (131,091)	\$ (139,423)

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Changes in Net Assets

Year ended May 31, 2014, with comparative information for 2013

	Invested in capital assets	Unrestricted	Internally restricted Artistic Fund	Internally restricted Building Fund	Total
Balance, May 31, 2012	\$ 1,941,237	\$ 63,365	\$ 152,243	\$ 302,672	\$ 2,459,517
Deficiency of revenue over expenses	-	(139,423)	-	-	(139,423)
Amortization	(54,664)	54,664	-	-	-
Interfund transfers (note 6)	-	47,632	(49,333)	1,701	-
Balance, May 31, 2013	1,886,573	26,238	102,910	304,373	2,320,094
Deficiency of revenue over expenses	-	(131,091)	-	-	(131,091)
Amortization	(56,561)	56,561	-	-	-
Purchase of capital assets	62,164	(62,164)	-	-	-
Interfund Transfers (note 6)	-	11,951	2,099	(14,050)	-
Balance, May 31, 2014	\$ 1,892,176	\$ (98,505)	\$ 105,009	\$ 290,323	\$ 2,189,003

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Cash Flows

Year ended May 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (131,091)	\$ (139,423)
Items not involving cash:		
Amortization of capital assets	56,561	54,664
Amortization of deferred contributions	(6,890)	(6,889)
	(81,420)	(91,648)
Change in non-cash operating working capital:		
Decrease in accounts receivable	19,044	479
Decrease (increase) in prepaid expenses	22,738	(23,702)
Increase in deposits	-	(1,153)
Increase (decrease) in accounts payable and accrued liabilities	9,325	(9,633)
Increase (decrease) in deferred revenue	55,796	(26,961)
(Decrease) increase in prepaid season tickets	(40,505)	2,669
	(15,022)	(149,949)
Investing:		
Additions to capital assets	(62,164)	-
Decrease in cash and cash equivalents	(77,186)	(149,949)
Cash and cash equivalents, beginning of year	1,151,318	1,301,267
Cash and cash equivalents, end of year	\$ 1,074,132	\$ 1,151,318

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Year ended May 31, 2014

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) 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.

(b) Cash and cash equivalents:

Cash and cash equivalents include term deposits with a term to maturity of 90 days or less at acquisition.

(c) Deferred revenue:

Deferred revenue reflects amounts received in the current period that relate to activities that will be performed in the subsequent period.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2014

1. Significant accounting policies (continued):

(d) 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

(e) 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, 2014

1. Significant accounting policies (continued):

(f) 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 amounts of capital assets. Actual results could differ from those estimates.

(g) 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. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 39,980	\$ -	\$ 39,980	\$ 39,980
Building	3,255,164	1,412,085	1,843,079	1,840,877
Equipment	52,435	43,318	9,117	5,716
	<u>\$ 3,347,579</u>	<u>\$ 1,455,403</u>	<u>\$ 1,892,176</u>	<u>\$ 1,886,573</u>

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$27,067 (2013 - \$28,993), which includes amounts payable for GST and payroll related taxes.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2014

4. 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 over the estimated useful life of the building.

	2014	2013
Opening balance, deferred contributions	\$ 296,256	\$ 303,145
Amortization	(6,890)	(6,889)
Closing balance, deferred contributions	\$ 289,366	\$ 296,256

5. Public funding:

	2014	2013
Canada Council for the Arts	\$ 234,000	\$ 229,000
Canadian Heritage Arts Presentation Fund	22,500	20,000
BC Arts Council - Operating	192,500	170,500
BC Arts Council - Other	-	35,000
BC Government Multiculturalism Grant	-	2,500
CRD Arts Development	201,000	201,000
BC Government Community Gaming Grant	102,500	100,000
	\$ 752,500	\$ 758,000

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2014

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 on the building. These internally restricted amounts are not available for other purposes without approval of the board of directors. During 2013, the Board approved the net transfer from the Artistic Fund to the Unrestricted fund in the amount of \$70,000 and a transfer was made from the Unrestricted fund to the Artistic Fund in the amount of \$20,000 in lieu of the payment of royalties. During 2014, the Board approved the transfer of \$18,245 from the Building Fund to the Unrestricted fund for repairs and maintenance costs on the building.

During 2014, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$6,294 (2013 - \$2,368) was allocated by interfund transfer. The Artistic Fund received \$2,099 (2013 - \$667) in interest and the Building Fund received \$4,195 (2013 - \$1,701).

7. Private fundraising:

	2014	2013
Individual donations	\$ 116,022	\$ 122,950
Foundations	18,255	26,260
Corporate donations	-	21,000
Events	54,008	30,835
Sponsorships - in kind	150,950	199,800
Sponsorships - cash	57,100	15,777
Other	20,687	10,778
	<u>\$ 417,022</u>	<u>\$ 427,400</u>

Sponsorships are comprised of cash and contributed goods and services.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Year ended May 31, 2014

8. 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. No earnings were received from the fund in 2014 (2013 - \$5,688), 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, 2014 was \$220,124 (2013 - \$185,367) and is not recorded in the financial statements.

9. 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 fulfill 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 fulfill its obligations. There has been no change to the risk exposures from 2013.

10. Comparative amounts:

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.