FAZZARI + PARTNERS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Scarborough Music Theatre Inc.

Financial Statements
(Unaudited)

July 31, 2025

FAZZARI+PARTNERS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Practitioner's Review Engagement Report

To the Members of **Scarborough Music Theatre Inc.**

We have reviewed the financial position of **Scarborough Music Theatre Inc.** as at **July 31, 2025** and the statements of operations, change in net assets, and cash flows for the year then ended, and 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

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Basis for Qualified Conclusion

In common with many charitable organizations, **Scarborough Music Theatre Inc.** derives revenue from donations, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of **Scarborough Music Theatre Inc.**. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenue, excess of revenue over expenses, and cash flows from operations for the years ended July 31, 2025 and July 31, 2024, current assets as at July 31, 2025 and July 31, 2024 and net assets as as at July 31 for both the 2025 and 2024 years. Our conclusion on the financial statements as at July 31, 2025 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of **Scarborough Music Theatre Inc.** as at **July 31, 2025** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fazzari + Partners

FAZZARI + PARTNERS LLP
Chartered Professional Accountants
Licensed Public Accountants

Vaughan, Ontario
January 28, 2026

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Scarborough Music Theatre Inc.

Statement of Financial Position
(Unaudited)

As at July 31

		2025		2024
Assets				
Current				
Cash	$	96,270	$	138,432
Accounts receivable		2,315		-
HST receivable		5,863		6,811
Interest receivable		2,242		849
Prepaid expenses and royalties		49,045		47,433
Due from box office		20,961		6,845
Investments (Note 3)		361,444		261,875
	$	**538,140**	**$**	**462,245**

The accompanying notes are an integral part of these financial statements.

Scarborough Music Theatre Inc.

Statement of Financial Position
(Unaudited)

As at July 31

		2025		2024
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 4)	$	12,230	$	11,390
Deferred revenue (Note 5)		80,769		74,241
Current portion of loan payable (Note 6)		11,111		11,111
		104,110		**96,742**
Long-term				
Loan payable (Note 6)		**64,814**		**75,925**
		168,924		**172,667**
Net Assets				
Internally restricted (Note 7)		22,575		36,000
Unrestricted		346,641		253,578
		369,216		**289,578**
	$	**538,140**	**$**	**462,245**

Commitments (Note 11)

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

Scarborough Music Theatre Inc.

Statement of Change in Net Assets
(Unaudited)

Year Ended July 31

	2025			2024		
	Internally restricted	Unrestricted	Total	Internally restricted	Unrestricted	Total
Balance, beginning of year	**$ 36,000**	**$ 253,578**	**$ 289,578**	**$ -**	**$ 160,772**	**160,772**
Excess revenue over expenses	-	79,638	79,638	-	128,806	128,806
Interfund transfer (Note 7)	(13,425)	13,425	-	36,000	(36,000)	-
Balance, end of year	**$ 22,575**	**$ 346,641**	**$ 369,216**	**$ 36,000**	**$ 253,578**	**$ 289,578**

The accompanying notes are an integral part of these financial statements.

Scarborough Music Theatre Inc.

Statement of Operations
(Unaudited)

Year Ended July 31

	2025	2024
Revenues		
Ticket sales and subscriptions	$ 237,241	$ 197,086
cGaming	74,387	50,558
Donations and fundraising	29,897	41,037
Youth program fees	27,054	31,397
Investment income (Note 8)	26,799	28,498
Rental	6,850	4,800
Grants	4,000	19,800
Memberships	2,066	1,660
Miscellaneous	930	840
Donations in kind	-	69,398
	409,224	**445,074**
Expenses		
Production	134,091	101,790
Rent and occupancy costs	72,530	71,027
Royalties	43,235	35,323
Office and general (Note 9)	24,818	40,717
Publicity	12,790	8,892
Professional fees	10,500	14,000
Youth Program costs	10,039	11,475
Non-recoverable HST	5,388	6,469
Salary and Wages	4,848	8,352
Repairs and maintenance	5,448	7,457
Interest and bank charges	4,148	3,625
Fundraising	883	3,878
Donations	766	3,103
Membership	102	160
	329,586	**316,268**
Excess of revenues over expenses	**$ 79,638**	**$ 128,806**

The accompanying notes are an integral part of these financial statements.

Scarborough Music Theatre Inc.

Statement of Cash Flows
(Unaudited)

Year Ended July 31

		2025		2024
Cash flows from (used in):				
Operating activities				
Excess of revenues over expenses	$	79,638	$	128,806
Changes in non-cash working capital items (Note 10)		(11,120)		294
		68,518		**129,100**
Financing activity				
Repayment of loan		**(11,111)**		**(11,111)**
Investing activity				
Purchase of investments		**(99,569)**		**(77,796)**
Increase (decrease) in balance		**(42,162)**		**40,193**
Balance, beginning of year		**138,432**		**98,239**
Balance, end of year	**$**	**96,270**	**$**	**138,432**

1. Statutes of incorporation and nature of activities

Scarborough Music Theatre (the "Organization") is a not-for-profit organization incorporated under the laws of the Province of Ontario on June 15, 1981.

The Organization is exempt from income tax in Canada as a registered charitable organization under subsection 149(1) of the Income Tax Act (Canada).

The Organization produces low-cost, high quality musical theatre productions for the local community and Greater Toronto at large. The Organization also provides a learning opportunity for members of all ages in musical performance, musical technical skills, and theatre company operation and administration.

2. Significant accounting policies

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are required in determining future cash flows when assessing the allowance for uncollectible accounts receivable and contingencies. These estimates are reviewed periodically, and, adjustments are made, as appropriate in the year in which they become known.

2. Significant accounting policies (continued)

(b) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions from donations, fundraising and memberships are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions from grants and cGaming are recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions that have not been expensed are recorded as deferred revenue on the Statement of financial position.

Ticket sales, subscriptions, youth program fees and rental revenues are recognized upon substantial completion of the related event or service period, provided that the receivable amount can be reasonably estimated and collection is reasonably assured.

Investment income, which is recorded on the accrual basis, includes interest income, dividend, realized gains on sale of investments and change in unrealized gains on investments.

(c) Contributed services

Volunteer and donated services contributed to the Organization in carrying out its operating activities are recognized in these financial statements when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased. Otherwise, contributed services are not recognized in the financial statements.

2. Significant accounting policies (continued)

(d) Capital assets

Capital assets are recorded as expenses in the year they are acquired.

(e) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for marketable securities quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations. Financial assets measured at amortized cost include cash, accounts receivable, HST receivable, interest receivable, and investments other than marketable securities. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(f) Income taxes

The Organization is a not-for-profit organization and a registered charity under the Income Tax Act and is exempt from income tax under Section 149(1)(l) of Income Tax Act. Registration remains valid so long as the Organization continues to fulfil the requirements of the Act and regulations in respect of registered charities.

3. Investments

	2025	2024
Guaranteed Investment Certificates, at cost	$ 90,000	$ 65,000
Public equities, at fair value	-	15,125
Mutual funds, at fair value	271,444	181,750
	$ 361,444	**$ 261,875**

Guaranteed Investment Certificates have maturity dates ranging from August 9, 2025 to August 11, 2025 with stated interest rates ranging from 2.25% to 2.63%.

4. Accounts payable and accrued liabilities

	2025	2024
Accounts payable and accrued liabilities	$ 12,230	$ 10,176
Government remittance payable	-	1,214
	$ 12,230	**$ 11,390**

5. Deferred revenue

Deferred revenue represents ticket sales, subscription, and youth program fees received in the current period that is related to the subsequent period. Changes in the deferred revenue are as follows:

	2025	2024
Balance, beginning of year	**$ 74,241**	**$ 63,871**
Less: Amount recognized as revenue in the year	(74,241)	(63,871)
Plus: Amount received related to the subsequent year	80,769	74,241
Balance, end of year	**$ 80,769**	**$ 74,241**

6. Loan payable

	2025	2024
Highly Affected Sectors Credit Availability Program ("HASCAP"), a $100,000 non-revolving term facility with a fixed rate of 4%, repayable in monthly payments of $926 plus interest, maturing May 2032	$ 75,925	$ 87,036
Less: current portion	(11,111)	(11,111)
	$ 64,814	**$ 75,925**

Total scheduled repayments over the remaining terms are as follows:

2026	$ 11,111
2027	11,111
2028	11,111
2029	11,111
2030 and thereafter	31,481
	$ 75,925

Interest paid during the year was $3,279 (2024 - $3,734). The loan is secured by a general security agreement covering all assets of the Organization.

7. Internal restrictions

In 2024, the board of directors resolved to restrict $36,000 to support the production of pantomime shows throughout the 2025 to 2027 fiscal years. The Organization may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

8. Investment income

	2025	2024
Unrestricted dividend income	$ 12,676	$ 5,762
Unrestricted interest income	1,411	849
Unrestricted realized and unrealized gain on investment	12,712	21,886
	$ 26,799	**$ 28,497**

9. Capital assets charged to statement of operations

The cost of the capital assets held by the Organization is as follows:

	2025	2024
Audio equipment	**$ 57,152**	**$ 48,863**

The cost of tangible capital assets expensed during the year was $8,289 (2024 - $27,296).

10. Changes in non-cash working capital items

Cash flows provided by (used in):

	2025	2024
Accounts receivable	$ (2,315)	$ -
HST receivable	948	734
Interest receivable	(1,393)	(622)
Prepaid expenses and royalties	(1,612)	(12,648)
Due from box office	(14,116)	1,100
Accounts payable and accrued liabilities	840	1,360
Deferred revenue	6,528	10,370
	$ (11,120)	**$ 294**

11. Commitments

The Organization has entered into a contractual obligation for the lease of it's premises until July 2027. The obligations for future years are as follows:

2026	$	48,450
2027		49,400
	$	**97,850**

12. Financial instruments and risk management

The Organization is exposed to the following risks related to its financial assets and liabilities. The Organization is not exposed to market risk, other price risk, or any significant concentrations of risk. The following financial risk assessment has remained unchanged from prior year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its accounts receivable and due from box office. The Organization provides credit to its clients in the normal course of operations. The Organization reviews a new client's credit history before extending credit and conducts regular reviews of its existing client's credit performance.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable, accrued liabilities, and loan payable. Management manages the Organization's cash resources based on financial forecasts and anticipated cash flows.

12. Financial instruments and risk management (continued)

(c) Fair value

The fair value of the Organization's financial instruments, which consist of accounts receivable, interest receivable, investments, and accounts payable and accrued liabilities and loan payable, approximate their carrying values because of their short-term nature.