



Scarborough Music Theatre Inc.

Financial Statements

(Unaudited)

July 31, 2024



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, 2024** 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.



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, 2024, current assets as at July 31, 2024 and net assets as at July 31 for the 2024 year end. Our conclusion on the financial statements as at July 31, 2024 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, 2024** 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.

Other Matter

The financial statements for the year ended July 31, 2023 were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on February 27, 2024.

Fazzari + Partners

FAZZARI + PARTNERS LLP

Chartered Professional Accountants
Licensed Public Accountants

Vaughan, Ontario
January 23, 2025

Scarborough Music Theatre Inc.

Statement of Financial Position

(Unaudited)

As at July 31

	2024	2023
Assets		
Current		
Cash	\$ 138,432	\$ 98,239
Investments (Note 3)	261,875	184,079
HST receivable	6,811	7,545
Interest receivable	849	227
Prepaid expenses and royalties	47,433	34,785
Due from box office	6,845	7,945
	\$ 462,245	\$ 332,820

Scarborough Music Theatre Inc.

Statement of Financial Position


(Unaudited)

As at July 31

	2024	2023
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 11,390	\$ 10,029
Deferred revenue (Note 5)	74,241	63,871
Current portion of loan payable (Note 6)	11,111	11,112
	96,742	85,012
Long-term		
Loan payable (Note 6)	75,925	87,036
	172,667	172,048
Net Assets		
Internally restricted (Note 7)	36,000	-
Unrestricted	253,578	160,772
	289,578	160,772
	\$ 462,245	\$ 332,820

Commitments (Note 11)

Approved on behalf of the Board



Director



Director

Scarborough Music Theatre Inc.

Statement of Change in Net Assets

(Unaudited)

Year Ended July 31

	2024			2023		
	Internally restricted	Unrestricted	Total	Internally restricted	Unrestricted	Total
Balance, beginning of year	\$ -	\$ 160,772	\$ 160,772	\$ -	\$ 183,516	183,516
Excess (deficiency) revenue over expenses	-	128,806	128,806	-	(22,744)	(22,744)
Interfund transfer (Note 7)	36,000	(36,000)	-	-	-	-
Balance, end of year	\$ 36,000	\$ 253,578	\$ 289,578	\$ -	\$ 160,772	\$ 160,772

Scarborough Music Theatre Inc.

Statement of Operations

(Unaudited)

Year Ended July 31

	2024	2023 (Note 13)
Revenues		
Ticket sales and subscriptions	\$ 197,086	\$ 151,268
cGaming	50,558	-
Donations in kind	69,398	-
Donations and fundraising	41,037	21,410
Youth program fees	31,397	21,899
Investment income (Note 8)	28,498	13,099
Grants	19,800	43,900
Rental	4,800	8,000
Memberships	1,660	1,835
Miscellaneous	840	2,275
	445,074	263,686
Expenses		
Production	101,790	81,755
Rent and occupancy costs	71,027	70,042
Office and general (Note 9)	40,717	32,619
Royalties	35,323	35,452
Professional fees	14,000	11,500
Youth Program costs	11,475	10,164
Publicity	8,892	18,407
Salary and Wages	8,352	-
Repairs and maintenance	7,457	9,431
Non-recoverable HST	6,469	10,968
Fundraising	3,878	1,232
Interest and bank charges	3,625	3,969
Donations	3,103	831
Membership	160	60
	316,268	286,430
Excess (deficiency) of revenues over expenses	\$ 128,806	\$ (22,744)

Scarborough Music Theatre Inc.

Statement of Cash Flows

(Unaudited)

Year Ended July 31

	2024	2023
Cash flows from (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses	\$ 128,806	\$ (22,744)
Changes in non-cash working capital items (Note 10)	294	29,497
	129,100	6,753
Financing activity		
Repayment of loan	(11,111)	(1,852)
Investing activity		
Proceeds from sale (purchase) of investments	(77,796)	39,196
Increase in balance	40,193	44,097
Balance, beginning of year	98,239	54,142
Balance, end of year	\$ 138,432	\$ 98,239

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

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.

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

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.

Donations in kind is recognized as revenue at the fair value on the date the donation is received.

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. Interest is recorded on an accrual basis over the term of the related investment.

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.

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

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, 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

	2024	2023
Guaranteed Investment Certificates, at cost	\$ 65,000	\$ 20,400
Public equities, at fair value	15,125	-
Mutual funds, at fair value	181,750	163,679
	\$ 261,875	\$ 184,079

Guaranteed Investment Certificates have maturity dates ranging from August 9, 2024 to May 9, 2025 with stated interest rates ranging from 2.25% to 4.5%.

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

4. Accounts payable and accrued liabilities

	2024	2023
Accounts payable and accrued liabilities	\$ 10,175	\$ 10,029
Government remittance payable	1,214	-
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	\$ 11,389	\$ 10,029

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:

	2024	2023
Balance, beginning of year	\$ 63,871	\$ 43,627
Less: Amount recognized as revenue in the year	(63,871)	(43,627)
Plus: Amount received related to the subsequent year	74,241	63,871
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Balance, end of year	\$ 74,241	\$ 63,871

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

6. Loan payable

	2024	2023
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	\$ 87,036	\$ 98,148
Less: Current portion	(11,111)	(11,112)
	\$ 75,925	\$ 87,036

Total scheduled repayments over the remaining terms are as follows:

2025	\$ 11,111
2026	11,111
2027	11,111
2028	11,111
2029 and thereafter	42,592
	\$ 87,036

Interest paid during the year was \$3,734 (2023 - \$3,997). 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 in the 2025, 2026, and 2027 fiscal years. The Organization may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

8. Investment income

	2024	2023
Unrestricted dividend and interest income	\$ 6,611	\$ 3,095
Unrestricted realized and unrealized gain on investment	21,887	10,004
	<u>\$ 28,498</u>	<u>\$ 13,099</u>

9. Capital assets charged to statement of operations

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

	2024	2023
Audio equipment	\$ 48,863	\$ 21,567

The cost of tangible capital assets expensed during the year was \$27,296 (2023 - \$21,568).

10. Changes in non-cash working capital items

Cash flows provided by (used in):

	2024	2023
HST receivable	\$ 734	\$ (2,071)
Interest receivable	(622)	5,440
Prepaid expenses and royalties	(12,648)	2,866
Due from box office	1,100	2,530
Accounts payable and accrued liabilities	1,360	488
Deferred revenue	10,370	20,244
	<u>\$ 294</u>	<u>\$ 29,497</u>

Scarborough Music Theatre Inc.

Notes to Financial Statements

(Unaudited)

July 31, 2024

11. Commitments

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

2025	\$	47,500
2026		48,450
2027		49,400
		<hr/>
		\$ 145,350

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 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.

Scarborough Music Theatre Inc.

Notes to Financial Statements

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12. Financial instruments and risk management (continued)

(c) Fair value

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

13. Comparative balances

Certain comparative balances have been reclassified to conform to the presentation adopted for the current year.