

SCARBOROUGH MUSIC THEATRE

Financial Statements

July 31, 2023

SCARBOROUGH MUSIC THEATRE

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Year Ended July 31, 2023

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Scarborough Music Theatre

We have reviewed the accompanying financial statements of Scarborough Music Theatre (the "Organization") which comprise the statement of financial position as at July 31, 2023, and the statements of revenues and expenses and changes 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Scarborough Music Theatre as at July 31, 2023, 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
February 27, 2024

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

SCARBOROUGH MUSIC THEATRE
Statement of Revenues and Expenses and Changes in Net Assets
Year Ended July 31, 2023

	2023	2022
REVENUES		
Ticket sales and subscriptions	\$ 151,268	\$ 27,057
Grants <i>(Note 6)</i>	43,900	47,875
Youth program fees	21,899	14,094
Donations and fundraising	21,410	9,710
Interest	13,099	4,220
Rental	8,000	2,150
Miscellaneous	2,275	4,392
Memberships	1,835	452
Sponsorship	-	1,000
	263,686	110,950
EXPENSES		
Show:		
Production	79,955	16,556
Rent and occupancy costs <i>(Notes 7 and 8)</i>	70,042	48,403
Royalties	35,452	10,888
Office and general	32,619	5,458
Publicity	18,407	2,498
Operating:		
Professional fees	11,500	8,300
Non-recoverable Harmonized Sales Tax	10,968	2,724
Youth Program costs	10,164	4,444
Repairs and maintenance	9,431	26,986
Interest and bank charges	3,969	1,004
Insurance	1,800	1,532
Fundraising	1,232	2,633
Donations	831	771
Membership	60	300
	286,430	132,497
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	(22,744)	(21,547)
GOVERNMENT ASSISTANCE	-	19,896
DEFICIENCY OF REVENUES OVER EXPENSES	(22,744)	(1,651)
NET ASSETS - BEGINNING OF YEAR	183,516	185,167
NET ASSETS - END OF YEAR	\$ 160,772	\$ 183,516

See the accompanying notes to these financial statements

SCARBOROUGH MUSIC THEATRE**Statement of Cash Flows****Year Ended July 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (22,744)	\$ (1,651)
Changes in non-cash working capital:		
Harmonized Sales Tax recoverable	(2,071)	(2,897)
Accounts receivable	5,440	1,311
Prepaid expenses and royalties	2,866	(33,219)
Due from box office	2,530	(8,279)
Accounts payable and accrued liabilities	488	9,422
Deferred revenues	20,244	18,534
	<u>29,497</u>	<u>(15,128)</u>
Cash flow from (used by) operating activities	<u>6,753</u>	<u>(16,779)</u>
INVESTING ACTIVITY		
Proceeds of sale (purchase) of investments	<u>39,196</u>	<u>(223,275)</u>
FINANCING ACTIVITIES		
Proceeds from loan payable	-	100,000
Repayment of loan	<u>(1,852)</u>	<u>-</u>
Cash flow from (used by) financing activities	<u>(1,852)</u>	<u>100,000</u>
INCREASE (DECREASE) IN CASH	44,097	(140,054)
CASH - BEGINNING OF YEAR	<u>54,142</u>	<u>194,196</u>
CASH - END OF YEAR	<u>\$ 98,239</u>	<u>\$ 54,142</u>

See the accompanying notes to these financial statements

SCARBOROUGH MUSIC THEATRE

Notes to Financial Statements

Year Ended July 31, 2023

1. NATURE OF THE ORGANIZATION

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 and mounts 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 and theatre company operation and administration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions from grants are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions from donations and fundraising are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ticket sales, subscriptions, youth program fees and rental revenues are recognized upon substantial completion of the related event or service period, provided that the amount to be received can be reasonably estimated and collection is reasonably assured. Interest is recorded on an accrual basis over the term of the related investment.

Financial instruments

The Organization measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost includes accounts payable. Investments consist of mutual funds and guaranteed investment certificates ("GICs"). Mutual funds are measured at fair market value based on market prices reported by the investment broker. GICs are measured at cost plus accrued interest.

Impairment of financial instruments

Financial assets, measured at cost or amortized cost, are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal, had the impairment loss not been recognized previously. The impairment is measured as the difference between carrying value and the estimated recoverable amount. The amount of any write down or reversal is recognized in deficiency of revenues over expenses.

(continues)

SCARBOROUGH MUSIC THEATRE

Notes to Financial Statements

Year Ended July 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and liabilities and the reported amounts of revenues and expenses during the year. Such estimates are periodically reviewed and any adjustments necessary are reported in deficiency of revenues over expenses in the year in which they become known. Such estimates include the collectability of accounts receivable and year-end accrued liabilities. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

It is management's opinion that the Organization is not subject to significant credit, market or liquidity risk arising from these financial instruments.

Cash consists of cash on hand and deposits held in chequing accounts with a major Canadian financial institution. Cash balances are sufficient to cover accounts payable as they come due.

Investments consist of mutual funds (\$163,679) and Guaranteed Investment Certificates (\$20,400) maturing within 12 months from year end and earning interest between 0.75% and 2.25%.

4. DEFERRED REVENUES

The balance represents funds received in advance for ticket sales and subscriptions related to future performances subsequent to year end.

5. LOAN PAYABLE

In fiscal 2022, the Organization entered into an agreement with Business Development Bank of Canada ("BDC"), under the Highly Affected Sectors Credit Availability Program ("HASCAP"). A \$100,000 non-revolving term facility was provided with a fixed rate of 4%. The loan matures within ten years (May 2032) and is secured by a general security agreement covering all assets of the Organization. The Organization is required to pay monthly principal payments of \$926 plus interest.

Amounts payable within one year

	<u>2023</u>	<u>2022</u>
	\$ 98,148	\$ 100,000
	<u>(11,112)</u>	-
	<u>\$ 87,036</u>	<u>\$ 100,000</u>

Principal repayment terms are approximately:

2024	\$ 11,112
2025	11,112
2026	11,112
2027	11,112
2028	11,112
Thereafter	<u>42,588</u>
	<u>\$ 98,148</u>

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Notes to Financial Statements

Year Ended July 31, 2023

6. GRANTS

	2023	2022
Ontario Trillium Foundation	\$ 43,900	\$ 45,000
Arts Council	-	1,000
Business/Arts - ArtsVest program	-	1,875
	<u>\$ 43,900</u>	<u>\$ 47,875</u>

7. COMMITMENT

The Organization leases premises under a long term lease that expires on July 31, 2027. Under the lease, the Organization is required to pay base rent, plus its proportionate share of premises maintenance fees and realty taxes. Annual future minimum lease payments are as follows:

2024	\$ 46,550
2025	47,500
2026	48,450
2027	49,400
	<u>\$ 191,900</u>

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
