

**The Buddies in Bad Times
Theatre Company**
Consolidated Financial Statements
June 30, 2022



Independent Auditors' Report

To the Directors of

The Buddies in Bad Times Theatre Company

Qualified Opinion

We have audited the financial statements of **The Buddies in Bad Times Theatre Company** (the Organization), which comprise the statement of financial position as at **June 30, 2022**, the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021, and fund balances as at July 1 and June 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 qualified 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

The Buddies in Bad Times Theatre Company

Independent Auditor's Report

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Auditor's 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 auditor's 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 these 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

Clarkson Rouble LLP

Mississauga, Ontario
December 19, 2022

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

The Buddies in Bad Times Theatre Company


Consolidated Statement of Financial Position

As at June 30

	2022	2021
Assets		
Current		
Cash	\$ 913,748	\$ 1,140,008
Short term investment	219,970	214,687
Accounts receivable	80,027	17,425
Canada Emergency Wage Subsidy receivable (Note 9)	-	68,998
Inventory (Note 1b)	21,416	12,093
Prepaid expenses	37,875	20,245
	1,273,036	1,473,456
Capital assets (Note 2)	1,906,237	1,929,844
	\$ 3,179,273	\$ 3,403,300
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 101,536	\$ 116,470
Deferred revenue (Note 4)	208,486	219,634
	310,022	336,104
CEBA loan payable (Note 9)	80,000	80,000
Deferred contributions (Note 5)	1,827,728	1,911,614
	2,217,750	2,327,718
Net Assets		
Invested in capital assets	84,755	93,230
Working capital reserve (Note 7)	199,020	199,020
Unrestricted net assets	677,748	783,332
	961,523	1,075,582
	\$ 3,179,273	\$ 3,403,300

See accompanying notes to the financial statements

On behalf of the Board:


Director


Director

The Buddies in Bad Times Theatre Company

Consolidated Statement of Revenue and Expenses Year Ended June 30

	2022	2021
Revenue		
Government grants (Note 4)	\$ 1,068,954	\$ 1,162,590
Donations, sponsorship and fundraising events	216,739	254,110
Canada Emergency Wage Subsidy (Note 9)	98,387	241,946
Performance and theatre rental	133,461	18,550
Sales	133,563	19,080
Amortization of deferred contributions	157,734	148,228
	<u>1,808,838</u>	<u>1,844,504</u>
Expenses		
Cost of bar sales, bar supplies	54,621	75,568
Theatre production costs	564,854	266,416
Salaries and benefits	777,019	621,404
Promotion, publicity, fundraising	179,516	158,697
Building maintenance, utilities and insurance	99,543	69,507
Office supplies and services	81,135	81,070
Amortization	166,209	157,366
	<u>1,922,897</u>	<u>1,430,028</u>
(Deficiency) excess of revenue over expenses	\$ (114,059)	\$ 414,476

See accompanying notes to the financial statements

The Buddies in Bad Times Theatre Company

Consolidated Statement of Changes in Net Assets

Year Ended June 30

	Invested in capital assets	Working capital reserve	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	\$ 93,230	\$ 199,020	\$ 783,332	\$1,075,582	\$ 661,106
(Deficiency) excess of revenue over expenses	(8,475)	-	(105,584)	(114,059)	414,476
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Balance, end of year	\$ 84,755	199,020	\$ 677,748	\$ 961,523	\$1,075,582

See accompanying notes to the financial statements

The Buddies in Bad Times Theatre Company

Consolidated Statement of Cash Flows

Year Ended June 30

	2022	2021
Operating activities		
(Deficiency) excess of revenue over expenses	\$ (114,059)	\$ 414,476
Items not requiring an outlay of cash		
Amortization of capital assets	166,209	157,366
Amortization of deferred contributions	(157,734)	(148,228)
	(105,584)	423,614
Cash generated from (used for)		
Operating working capital		
Accounts receivable	(62,602)	(3,160)
Canada Emergency Wage Subsidy receivable	68,998	5,599
Inventory	(9,323)	2,928
Prepaid expenses	(17,630)	(17,130)
Accounts payable and accrued liabilities	(14,934)	22,053
Deferred revenue	(11,148)	(320,714)
(Decrease) increase from operating activities	(152,223)	113,190
Investing activities		
Purchase of capital assets	(142,602)	-
Short term investment	(5,283)	(4,734)
Decrease from investing activities	(147,885)	(4,734)
Financing activity		
Deferred capital contributions	73,848	75,000
Increase from financing activity	73,848	75,000
(Decrease) increase in cash	(226,260)	183,456
Cash, beginning of year	1,140,008	956,552
Cash, end of year	\$ 913,748	\$ 1,140,008

See accompanying notes to the financial statements

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

The Buddies in Bad Times Theatre Company was incorporated as an not-for profit Ontario corporation without share capital in 1979 and is registered with Canada Revenue Agency as a charitable organization.

Buddies objects are to promote the development and production of new and innovative and/or lesbian and gay Canadian theatre. The organization is committed to theatrical excellence which it strives for through play development programs, a strong volunteer base, youth-mentorship initiatives and an ever increasing wealth of Canadian Queer Talent.

The Alexander Street Theatre Project of Toronto was incorporated in Ontario as a not-for-profit corporation without share capital in 1990. The project is registered with Canada Revenue Agency as a charitable organization.

The Alexander Street Theatre Project is dedicated to the operation of a public theatre and space for theatre, dance and music performance. The Buddies in Bad Times Theatre Company (a related organization) is under contract to provide a portion of the programming in the premises.

The Project entered into a lease agreement with the City of Toronto for the property at 12 Alexander Street, Toronto, commencing in 1993 for a term of 40 years.

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations and include only the assets, liabilities, revenues and expenses relating to the organization.

a) Consolidation

The majority of the members of the board of directors of the Alexander Street Theatre Project of Toronto are members of the board of directors of the Buddies in Bad Times Theatre Company. Consequently, the two organizations are controlled by a common group of individuals. Consolidated financial statements have been prepared for the organization.

These financial statements include the accounts of The Buddies in Bad Times Theatre Company and The Alexander Street Theatre Project of Toronto for the fiscal year ending June 30, 2022. Intercompany balance and charges, if applicable, have been eliminated.

b) Inventories

Inventories are recorded at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Inventory consists of liquor and beer.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

1. Summary of significant accounting policies (continued)

c) Revenue recognition

Unrestricted grants and donations are recognized as revenues in the year in which they are received. Restricted grants and donations for specific projects are allocated to fiscal periods during which the projects are carried out. Unapplied revenues are reported as deferred revenue on the balance sheet. Restricted grants and donations for purchase of capital assets are reported as deferred contributions on the balance sheet and are amortized to operations at the same rate as the related capital assets are amortized to operations. Sales are generated from the sale of liquor and are recognized as revenue when the funds for these items are received. Rental and concession amounts are recognized as revenue when the rental service is provided. Government subsidies are generally recognized as revenue in the year in which the funds are received. Where these funds are granted to offset specific expenditures or acquisitions, and the receipt of these funds is certain, the subsidy is accrued in order to match with the expenditure or acquisition.

d) Financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and liabilities at amortized cost, except for short term investments and investments in equity instruments that are quoted in an active market, which are measured at fair value without adjustment for transaction costs that would be incurred on the disposal and changes in fair value are recognized in income in the period.

Financial assets measured at cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The organization has elected to measure its short term investments, which consists of guaranteed investment certificates, at fair value. The organization has not elected to carry any financial liability at fair value.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amount of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

1. Summary of significant accounting policies (continued)

e) Capital assets

Capital assets are recorded at cost and amortized over their estimated useful life using the straight-line method. Theatre equipment, consisting of lighting, sound equipment, and risers, are amortized over a ten year period. All other equipment and furnishings are amortized over a five year period.

f) Leasehold improvements

Leasehold improvements are recorded at cost. The original cost of renovations and additions are being amortized, using the straight-line method, over the remaining term of the lease. Heating and air conditioning equipment is being amortized over a twenty year period.

g) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. There are no indications of impairment.

h) Contributed materials and services

Volunteers contribute many hours of assistance each year to the organization in carrying out its service delivery activities. Because of the difficulty determining their fair value, contributed services are not recognized in these financial statements.

i) Measurement uncertainty

The preparation of the organization's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

2. Capital assets

		2022		2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment and furnishings	\$ 104,358	\$ 99,734	\$ 4,624	\$ 6,934
Equipment	328,200	328,200	-	-
Sound and lighting	66,351	66,351	-	-
Leasehold improvements	3,893,960	1,992,347	1,901,613	1,922,910
	\$ 4,392,869	\$ 2,486,632	\$ 1,906,237	\$ 1,929,844

Included in leasehold improvements are capital purchases related to the 12 Alexander Street Restoration Project in care of Buddies in Bad Times Theatre and the Facility Upgrades Project for the Buddies in Bad Time Theatre. Funding received for these projects is being amortized into income at the same rate as the amortization of the assets (Note 5).

3. Bank indebtedness

The organization has available to them an operating line of credit of \$40,000. As at June 30, 2022 the organization had \$Nil (2021 - \$Nil) outstanding on this line of credit Interest is calculated at the credit union's standard business line of credit lending rate plus 3 percent secured by the following:

- (a) general security agreement covering all assets held in Canada;
- (b) guarantee from Alexander Street Theatre Project of Toronto Theatre in amount that is unlimited;
- (c) Assignment of adequate business interruption, public liability and property insurance acknowledging the credit union as first loss payee.

Alexander Street Theatre Project of Toronto has available to them an operating line of credit of \$60,000. Interest is calculated at the credit union's standard business line of credit lending rate plus 3 percent secured by the following:

- (a) general security agreement covering all assets held in Canada;
- (b) guarantee from Buddies in Bad Times Theatre in amount that is unlimited;
- (c) Assignment of adequate business interruption, public liability and property insurance acknowledging the credit union as first loss payee.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

4. Grants and deferred revenue

Deferred revenue constitutes restricted grants from government agencies and foundations to cover operations of the following year and media sponsorship, ticket subscriptions, rentals and fundraising proceeds all for the period following the fiscal year end.

	Deferred Revenue 2021	Received	Revenue Current	Deferred Revenue 2022
Government Grants				
Canada Arts Council				
- operating	\$ -	\$ 280,000	\$ 280,000	\$ -
- project	-	2,900	2,900	-
- Covid and reopening	-	231,000	231,000	-
Ontario Arts Council				
- operating	-	165,721	165,721	-
Toronto Arts Council - operating	168,500	168,500	168,500	168,500
Canadian Heritage	39,700	181,133	220,833	-
	208,200	1,029,254	1,068,954	168,500
Grants from Foundations				
Toronto Arts Foundation	-	30,000	-	30,000
Other deposits	11,434	-	1,448	9,986
	\$ 219,634	\$1,059,254	\$1,070,402	\$ 208,486

5. Deferred contributions

Deferred contributions related to capital assets represent contributed capital assets and restricted contributions (government grants, endowment fund income, donations and fundraising) for leasehold improvements and equipment. The changes in the deferred contributions balance for the period are as follows.

	2022	2021
Balance, beginning of year	\$ 1,911,614	\$ 1,984,842
Add: capital grants	73,848	75,000
	1,985,462	2,059,842
Less: amount amortized to revenue	157,734	148,228
Balance, end of year	\$ 1,827,728	\$ 1,911,614

The current and prior year capital grant balances relate to the 12 Alexander Street Restoration Project. Included in current year capital grants is \$73,800 (2021 - \$75,000) from Ontario Trillium Foundation. The balance of the current year capital grants relates to interest received during the year. The contributions are amortized to revenue at the same rate of amortization as the assets.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

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6. Endowment fund

The City of Toronto has established an "Endowment Fund" for Alex, the income earned on this fund may be used for maintaining the building and capital improvements. Neither the principal of \$316,000 nor the accrued interest on the fund is recorded in the accounts of the Project. The amount of interest earned by the fund during the current fiscal period is \$945 (2021 - \$2,905). During 2008, the fund granted the organization \$83,425 and in 2018, the fund granted the organization \$33,350 of the accumulated interest to be used for capital improvements on the building. The accumulated balance of interest remaining in the fund at year end is \$16,618 (2021 - \$15,673).

The organization has established the Buddies in Bad Times Arts Endowment Fund at the Ontario Arts Council Foundation (OACF) under the terms of the Arts Endowment Fund (AEF) Program. The AEF is a program of the Government of Ontario through the Ministry of Citizenship, Culture and Recreation, administered by the Ontario Arts Council Foundation. Buddies has raised \$122,178 since the inception of the program which has qualified for matching purposes. Only the funds matched by OACF are deposited in the endowment fund, the amounts raised by Buddies have been retained and used for current operations. The fair market value of the funds at June 30, 2022 is \$181,797 (2021 - \$214,737).

The investment income earned by the Endowment Fund is paid annually to Buddies to assist with operations. Buddies portion of the income earned in the fund for 2022 is \$10,659 (2021 - \$9,979). Buddies also received a special distribution in 2022 of \$Nil (2021 - \$Nil).

7. Working capital reserve

The organization was accepted by Creative Trust on June 22, 2004 into its Working Capital for the Arts Program. Subsequent to a successful annual review with the Creative Trust, the organization received a working capital award of \$49,755 for the fiscal year ending June 30, 2006, \$49,755 for the fiscal year ended June 30, 2007, \$49,755 for the fiscal year ended June 30, 2011 and \$49,755 for the fiscal year ended June 30, 2012. There was no such funding received in the current or prior fiscal year.

8. Covid-19

On March 11, 2020, the World Health Organization declared Covid-19 a global pandemic. On March 17, 2020, the Province of Ontario invoked the Emergency Management and Civil Protection Act. Due to the high level of uncertainty related to the outcome of the pandemic, it is difficult to estimate the financial effect on The Buddies in Bad Times Theatre Company and The Alexander Street Theatre Project of Toronto. Therefore, no adjustments have been made on these financial statements.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

9. Government assistance related to Covid-19

The organization has applied for and received Government assistance related to the Covid-19 pandemic. As of June 30, 2022 there were two Canadian governmental programs that provided:

A loan of \$40,000 under the Canada Emergency Business Account (CEBA) program. This loan was received by The Buddies in Bad Times Theatre Company and The Alexander Street Theatre Project of Toronto for total loans of \$80,000. The loans are non interest bearing loans with no principal payments and if repaid before December 31, 2023 will result in loan forgiveness of 25% (up to \$10,000 for each loan). The loans can be converted into 3-year term loans at 5% annual interest paid monthly effective January 1, 2024.

Canada Emergency Wage Subsidy (CEWS) program that provided varying wage subsidy rates based on government outlined subsidy periods commencing March 15, 2020. For the fiscal year ended June 30, 2022, the organization received \$98,387 (2021 - \$241,946) in subsidies from the CEWS program, which is recognized in the statement of operations.

10. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

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 accounts receivable, however the risk is limited due to the nature of its accounts receivable. Amounts are not recorded in receivables unless collection is reasonably assured. The organization has not had issues with these collections in the past. The allowance for doubtful accounts is \$Nil (2021 - \$Nil)

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable. The organization expects to meet these obligations as they come due through sufficient cash flow from operations. The organization has not had issues with meeting these obligations in the past.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2022

10. Financial instruments (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The exposure of the organization to interest rate risk arises from the endowment fund and the investment income that the Endowment fund earns each year.