

**The Buddies in Bad Times  
Theatre Company**  
**Consolidated Financial Statements**  
**June 30, 2019**



## **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, 2019 and 2018**, 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, 2019 and 2018**, 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, 2019 and 2018**, current assets as at **June 30, 2019 and 2018**, and fund balances as at **July 1 and June 30** for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended **June 30, 2018** 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

Page 2

---

### 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  
November 27, 2019

**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

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 488,614	\$ 491,591
Short term investment	373,191	367,322
Accounts receivable	14,230	1,937
Inventory (Note 1b)	10,682	11,492
Prepaid expenses	41,801	38,720
	<u>928,518</u>	<u>911,062</u>
<b>Capital assets (Note 2)</b>	<u>1,826,679</u>	<u>1,606,173</u>
	<u>\$ 2,755,197</u>	<u>\$ 2,517,235</u>

## Liabilities


<b>Current</b>		
Accounts payable and accrued liabilities	\$ 88,835	\$ 97,706
Deferred revenue (Note 4)	74,259	206,180
	<u>163,094</u>	<u>303,886</u>
<b>Deferred contributions (Note 5)</b>	<u>2,118,057</u>	<u>1,745,153</u>
	<u>2,281,151</u>	<u>2,049,039</u>


## Net Assets

Invested in capital assets	95,242	89,910
Working capital reserve (Note 7)	199,020	199,020
Unrestricted net assets	179,784	179,266
	<u>474,046</u>	<u>468,196</u>
	<u>\$ 2,755,197</u>	<u>\$ 2,517,235</u>

See accompanying notes to the financial statements

On behalf of the Board:

  
\_\_\_\_\_  
Elliot Smith, Chair

  
\_\_\_\_\_  
Beck McNeil, Treasurer

# The Buddies in Bad Times Theatre Company

## Consolidated Statement of Revenue and Expenses

Year Ended June 30

	2019	2018
<b>Revenue</b>		
Government grants (Note 4)	\$ 815,585	\$ 709,165
Donations, sponsorship and fundraising events	336,988	359,259
Performance and theatre rental	289,836	309,519
Sales	268,116	272,236
Amortization of deferred contributions	115,682	55,839
	<u>1,826,207</u>	<u>1,706,018</u>
<b>Expenses</b>		
Cost of bar sales, bar supplies	123,219	128,801
Theatre production costs	456,856	373,176
Salaries and benefits	726,955	694,759
Promotion, publicity, fundraising	233,323	225,855
Building maintenance, utilities and insurance	101,216	92,617
Office supplies and services	54,346	61,994
Amortization	124,442	64,254
	<u>1,820,357</u>	<u>1,641,456</u>
<b>Excess of revenue over expenses</b>	<b>\$ 5,850</b>	<b>\$ 64,562</b>

*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	2019 Total	2018 Total
<b>Balance, beginning of year</b>	\$ 89,910	\$ 199,020	\$ 179,266	\$ 468,196	\$ 403,634
<b>Excess (deficiency) of revenue over expenses</b>	(8,760)	-	14,610	5,850	64,562
<b>Invested in capital assets</b>	14,092	-	(14,092)	-	-
<b>Balance, end of year</b>	\$ 95,242	199,020	\$ 179,784	\$ 474,046	\$ 468,196

---

*See accompanying notes to the financial statements*

# The Buddies in Bad Times Theatre Company

## Consolidated Statement of Cash Flows

Year Ended June 30

	2019	2018
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 5,850	\$ 64,562
Items not requiring an outlay of cash		
Amortization of capital assets	124,442	64,254
Amortization of deferred contributions	(115,682)	(55,839)
	14,610	72,977
Cash generated from (used for)		
Operating working capital		
Accounts receivable	(12,293)	2,589
Inventory	810	7,863
Prepaid expenses	(3,081)	1,113
Accounts payable and accrued liabilities	(8,871)	22,658
Deferred revenue	(131,921)	200,180
<b>(Decrease) increase from operating activities</b>	<b>(140,746)</b>	<b>307,380</b>
<b>Investing activities</b>		
Purchase of capital assets	(344,948)	(536,194)
Short term investment	(5,869)	(108,497)
<b>Decrease from investing activities</b>	<b>(350,817)</b>	<b>(644,691)</b>
<b>Financing activity</b>		
Deferred capital contributions	488,586	397,179
<b>Increase from financing activity</b>	<b>488,586</b>	<b>397,179</b>
<b>(Decrease) increase in cash</b>	<b>(2,977)</b>	<b>59,868</b>
<b>Cash, beginning of year</b>	<b>491,591</b>	<b>431,723</b>
<b>Cash, end of year</b>	<b>\$ 488,614</b>	<b>\$ 491,591</b>

*See accompanying notes to the financial statements*

# **The Buddies in Bad Times Theatre Company**

## **Notes to Consolidated Financial Statements**

**June 30, 2019**

---

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, 2019. 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, 2019

---

### 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.

#### 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 dates not exceeding 12 months, 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.

#### 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.

# **The Buddies in Bad Times Theatre Company**

## **Notes to Consolidated Financial Statements**

**June 30, 2019**

---

### **1. Summary of significant accounting policies (continued)**

#### **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, 2019

### 2. Capital assets

		2019		2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment and furnishings	\$ 92,804	\$ 91,885	\$ 919	\$ 1,638
Equipment	328,200	328,200	-	-
Sound and lighting	66,351	65,423	928	1,393
Leasehold improvements	3,342,610	1,517,778	1,824,832	1,603,142
	<b>\$ 3,829,965</b>	<b>\$ 2,003,286</b>	<b>\$ 1,826,679</b>	<b>\$ 1,606,173</b>

Included in leasehold improvements are capital purchases of \$86,549 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. These additions will not be amortized until completion of the projects. Funding received to date for these projects has been deferred (Note 5) and will be amortized into income at the same rate as the amortization of the assets upon project completion.

### 3. Bank indebtedness

The organization has available to them an operating line of credit of \$40,000. As at June 30, 2019 the organization had \$Nil (2018 - \$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:

- general security agreement covering all assets held in Canada;
- guarantee from Alexander Street Theatre Project of Toronto Theatre in amount that is unlimited;
- 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:

- general security agreement covering all assets held in Canada;
- guarantee from Buddies in Bad Times Theatre in amount that is unlimited;
- 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, 2019

### 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 2018	Received	Revenue Current	Deferred Revenue 2019
<b>Government Grants</b>				
Canada Council operating	\$ -	\$ 280,000	\$ 280,000	\$ -
Ontario Arts Council operating	-	174,885	174,885	-
Toronto Arts Council operating	164,500	-	164,500	-
Toronto Arts Council - project	20,000	-	20,000	-
Canada Arts Council - project	-	52,500	8,800	43,700
Canada Council - touring	-	70,000	70,000	-
Ontario Arts Council - touring	-	58,500	58,500	-
Ontario Arts Council - project	-	24,600	-	24,600
Canadian Heritage	-	38,900	38,900	-
	184,500	699,385	815,585	68,300
<b>Other deposits</b>	21,680	5,959	21,680	5,959
	<b>\$ 206,180</b>	<b>\$ 705,344</b>	<b>\$ 837,265</b>	<b>\$ 74,259</b>

### 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.

	2019	2018
Balance, beginning of year	\$ 1,745,153	\$ 1,403,813
Add: capital grants	488,586	397,179
	2,233,739	1,800,992
Less: amount amortized to revenue	115,682	55,839
<b>Balance, end of year</b>	<b>\$ 2,118,057</b>	<b>\$ 1,745,153</b>

The current and prior year capital grant balances relate to the 12 Alexander Street Restoration Project. Included in current year capital grants is \$13,329 received from the Government of Canada for the Soundproofing and Facility Upgrades Project. In addition \$338,170 was received from the City of Toronto and \$135,000 from Ontario Trillium Foundation. The balance of the current year capital grants relates to other donations and interest received during the year. The contributions for some of the projects will not be amortized into income until completion of the projects.

# **The Buddies in Bad Times Theatre Company**

## **Notes to Consolidated Financial Statements**

**June 30, 2019**

---

### **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 \$4,704 (2018 - \$2,874). During 2008, the fund granted the organization \$83,425 of the accumulated interest to be used for capital improvements on the building. During the prior year, the fund granted the organization \$33,350 of the accumulated interest for the current capital improvements on the building. The accumulated balance of interest remaining in the fund at year end is \$7,578 (2018 - \$2,874).

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, 2019 is \$197,594 (2018 - \$196,825)

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 2019 is \$8,826 (2018 - \$8,868).

### **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.

# **The Buddies in Bad Times Theatre Company**

## **Notes to Consolidated Financial Statements**

**June 30, 2019**

---

### **8. 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 (2018 - \$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.

#### ***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.