

**The Buddies in Bad Times
Theatre Company**
Consolidated Financial Statements
June 30, 2018



Independent Auditors' Report

To the Directors of

The Buddies in Bad Times Theatre Company

Report of the financial statements

We have audited the accompanying consolidated financial statements of **The Buddies in Bad Times Theatre Company** which comprise the consolidated statement of financial position as at **June 30, 2018** and the consolidated 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.

Managements's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements,

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

The Buddies in Bad Times Theatre Company

Independent Auditor's Report

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Basis for Qualified Opinion

In common with many charitable organizations, the organization derives part of its revenue from donations and fundraising, 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 and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenses and cash flows from operations for the years ended June 30, 2018 and 2017, current assets as at June 30, 2018 and 2017, and net assets at July 1 and June 30 for both the 2018 and 2017 years. Our audit opinion on the consolidated financial statements for the year ended June 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of **The Buddies in Bad Times Theatre Company** as at **June 30, 2018** and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Clarkson Rouble LLP

**Mississauga, Ontario
November 14, 2018**

**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

	2018	2017
Assets		
Current		
Cash	\$ 491,591	\$ 431,723
Short term investment	367,322	258,825
Accounts receivable	1,937	4,526
Inventory (Note 1b)	11,492	19,355
Prepaid expenses	38,720	39,833
	<u>911,062</u>	<u>754,262</u>
Capital assets (Note 2)	<u>1,606,173</u>	<u>1,134,233</u>
	<u>\$ 2,517,235</u>	<u>\$ 1,888,495</u>

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 97,706	\$ 75,048
Deferred revenue (Note 4)	206,180	6,000
	<u>303,886</u>	<u>81,048</u>
Deferred contributions (Note 5)	<u>1,745,153</u>	<u>1,403,813</u>
	<u>2,049,039</u>	<u>1,484,861</u>

Net Assets

Invested in capital assets	89,910	98,325
Working capital reserve (Note 7)	199,020	199,020
Unrestricted net assets	179,266	106,289
	<u>468,196</u>	<u>403,634</u>
	<u>\$ 2,517,235</u>	<u>\$ 1,888,495</u>

See accompanying notes to the financial statements

On behalf of the Board:

<u>Elliot Smith</u>	Director	<u></u>	Director
Elliot Smith, Chair		Beck McNeil, Treasurer	

The Buddies in Bad Times Theatre Company

Consolidated Statement of Revenue and Expenses

Year Ended June 30

	2018	2017
Revenue		
Government grants (Note 4)	\$ 709,165	\$ 514,200
Donations, sponsorship and fundraising events	359,259	308,452
Performance and theatre rental	309,519	310,368
Sales	272,236	301,374
Amortization of deferred contributions	55,839	55,839
	<u>1,706,018</u>	<u>1,490,233</u>
Expenses		
Cost of bar sales, bar supplies	128,801	133,560
Theatre production costs	373,176	249,667
Salaries and benefits	694,759	651,330
Promotion, publicity, fundraising	225,855	171,154
Building maintenance, utilities and insurance	92,617	88,876
Office supplies and services	61,994	55,745
Amortization	64,254	64,667
	<u>1,641,456</u>	<u>1,414,999</u>
Excess of revenue over expenses	\$ 64,562	\$ 75,234

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	2018 Total	2017 Total
Balance, beginning of year	\$ 98,325	\$ 199,020	\$ 106,289	\$ 403,634	\$ 328,400
Excess (deficiency) of revenue over expenses	(8,415)	-	72,977	64,562	75,234
Balance, end of year	\$ 89,910	199,020	\$ 179,266	\$ 468,196	\$ 403,634

See accompanying notes to the financial statements

The Buddies in Bad Times Theatre Company

Consolidated Statement of Cash Flows

Year Ended June 30

	2018	2017
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 64,562	\$ 75,234
Items not requiring an outlay of cash		
Amortization of capital assets	64,254	64,667
Amortization of deferred contributions	(55,839)	(55,839)
	72,977	84,062
Cash generated from (used for)		
Operating working capital		
Accounts receivable	2,589	469
Inventory	7,863	(8,312)
Prepaid expenses	1,113	(12,684)
Accounts payable and accrued liabilities	22,658	(39,245)
Deferred revenue	200,180	(4,000)
	307,380	20,290
Increase from operating activities	307,380	20,290
Investing activities		
Purchase of capital assets	(536,194)	(117,147)
Short term investment	(108,497)	(2,535)
	(644,691)	(119,682)
Decrease from investing activities	(644,691)	(119,682)
Financing activity		
Deferred capital contributions	397,179	485,052
	397,179	485,052
Increase from financing activity	397,179	485,052
Increase in cash	59,868	385,660
Cash, beginning of year	431,723	46,063
Cash, end of year	\$ 491,591	\$ 431,723

See accompanying notes to the financial statements

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2018

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, 2018. 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, 2018

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, 2018

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, 2018

2. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment and furnishings	\$ 92,804	\$ 91,166	\$ 1,638	\$ 2,757
Equipment	328,200	328,200	-	197
Sound and lighting	66,351	64,958	1,393	1,856
Leasehold improvements	2,997,662	1,394,520	1,603,142	1,129,423
	\$ 3,485,017	\$ 1,878,844	\$ 1,606,173	\$ 1,134,233

Included in leasehold improvements are capital purchases of \$653,340 related to the 12 Alexander Street Restoration Project in care of Buddies in Bad Times Theatre and the Soundproofing and 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, 2018 the organization had \$Nil (2017 - \$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

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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 2017	Received	Revenue Current	Deferred Revenue 2018
Government Grants				
Canada Council operating	\$ -	\$ 280,000	\$ 280,000	\$ -
Ontario Arts Council operating	-	170,620	170,620	-
Toronto Arts Council operating	-	317,500	153,000	164,500
Toronto Arts Council - facility	-	11,625	11,625	-
Toronto Arts Council - project	-	20,000	-	20,000
Ontario Arts Council - project	-	4,620	4,620	-
Canada Council - touring	-	25,000	25,000	-
Ontario Arts Council - touring	-	32,000	32,000	-
Canadian Heritage	-	32,300	32,300	-
	-	893,665	709,165	184,500
Other deposits	6,000	21,680	6,000	21,680
	\$ 6,000	\$ 915,345	\$ 715,165	\$ 206,180

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.

	2018	2017
Balance, beginning of year	\$ 1,403,813	\$ 974,600
Add: capital grants	397,179	485,052
	1,800,992	1,459,652
Less: amount amortized to revenue	55,839	55,839
Balance, end of year	\$ 1,745,153	\$ 1,403,813

The current and prior year capital grant balances relate to the 12 Alexander Street Restoration Project. Included in current year capital grants is \$285,000 received from the Government of Canada for the Soundproofing and Facility Upgrades Project. In addition \$33,350 was transferred from the City of Toronto Endowment fund (Note 6) and a \$57,140 development fee was also received from the City of Toronto related to the property next door. The balance of the current year capital grants relates to other donations and interest received during the year. The contributions for these projects will not be amortized into income until completion of the projects.

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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 \$2,874 (2017 - \$1,744). During 2008, the fund granted the organization \$83,425 of the accumulated interest to be used for capital improvements on the building. During the 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 \$2,874 (2017 - \$33,530).

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, 2018 is \$196,825 (2017 - \$192,590)

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 2018 is \$8,868 (2017 - \$8,646).

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. Contractual obligation

Prior to year end the organization entered into an agreement with Empire Roofing Corporation for \$227,300 plus HST for the removal and replacement of the roof at 12 Alexander Street. Work for this project did not commence until subsequent to year end and will be included with the leasehold improvements outlined in Note 2 as part of the 12 Alexander Street Restoration project.

The Buddies in Bad Times Theatre Company

Notes to Consolidated Financial Statements

June 30, 2018

9. 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 (2017 - \$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.