

SCARBOROUGH MUSIC THEATRE

Financial Statements

July 31, 2022

SCARBOROUGH MUSIC THEATRE

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Year Ended July 31, 2022

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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, 2022, 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, 2022, 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 of Scarborough Music Theatre for the year ended July 31, 2021 were compiled based on information provided by management and are presented for comparative purposes only.

Hogg, Shain & Scheck PC

Toronto, Ontario
June 20, 2023

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

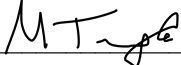
SCARBOROUGH MUSIC THEATRE

Statement of Financial Position

As at July 31, 2022

	2022	2021 <i>(Note 9)</i>
ASSETS		
CURRENT		
Cash <i>(Note 3)</i>	\$ 54,142	\$ 194,196
Investments <i>(Note 3)</i>	223,275	-
Harmonized Sales Tax recoverable	5,474	2,577
Accounts receivable <i>(Note 8)</i>	5,667	6,978
Prepaid expenses and royalties	37,651	4,432
Due from box office	10,475	2,196
	<u>\$ 336,684</u>	<u>\$ 210,379</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 9,541	\$ 119
Deferred revenues <i>(Note 4)</i>	43,627	25,093
	<u>53,168</u>	25,212
LOAN PAYABLE <i>(Note 5)</i>	<u>100,000</u>	-
	153,168	25,212
NET ASSETS		
UNRESTRICTED	<u>183,516</u>	185,167
	<u>\$ 336,684</u>	<u>\$ 210,379</u>
COMMITMENT <i>(Note 7)</i>		

APPROVED ON BEHALF OF THE BOARD



Treasurer

Director



President

Director

See the accompanying notes to these financial statements

SCARBOROUGH MUSIC THEATRE
Statement of Revenues and Expenses and Changes in Net Assets
Year Ended July 31, 2022

	2022	2021 <i>(Note 9)</i>
REVENUES		
Grants <i>(Note 6)</i>	\$ 47,875	\$ 1,875
Ticket sales and subscriptions	27,057	-
Youth program fees	14,094	-
Donations and fundraising	9,710	31,225
Miscellaneous	4,392	5,105
Interest	4,220	-
Rental	2,150	-
Sponsorship	1,000	-
Memberships	452	375
	<u>110,950</u>	<u>38,580</u>
EXPENSES		
Show:		
Repairs and maintenance	26,986	-
Production	16,556	626
Royalties	10,888	4,931
Youth Program costs	4,444	1,700
Interest and bank charges <i>(Note 5)</i>	1,004	-
Harmonized Sales Tax recovered	-	(1,545)
Operating:		
Rent and occupancy costs <i>(Note 7)</i>	48,403	46,520
Professional fees	8,300	2,853
Office and general	5,458	3,358
Harmonized Sales Tax expense (recovered)	2,724	(4,199)
Fundraising	2,633	551
Publicity	2,498	-
Insurance	1,532	1,489
Donations	771	-
Membership	300	-
Donation to other charities	-	100
Interest	-	89
	<u>132,497</u>	<u>56,473</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	(21,547)	(17,893)
GOVERNMENT ASSISTANCE <i>(Note 8)</i>	19,896	41,985
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(1,651)	24,092
NET ASSETS - BEGINNING OF YEAR	185,167	161,075
NET ASSETS - END OF YEAR	\$ 183,516	\$ 185,167

See the accompanying notes to these financial statements

SCARBOROUGH MUSIC THEATRE

Statement of Cash Flows

Year Ended July 31, 2022

	2022	2021 <i>(Note 9)</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (1,651)	\$ 24,092
Changes in non-cash working capital:		
Harmonized Sales Tax recoverable	(2,897)	4,880
Accounts receivable	1,311	(2,816)
Prepaid expenses and royalties	(33,219)	49,209
Due from box office	(8,279)	222
Accounts payable and accrued liabilities	9,422	(247)
Deferred revenues	18,534	(6,461)
	<u>(15,128)</u>	<u>44,787</u>
Cash flow from (used by) operating activities	<u>(16,779)</u>	<u>68,879</u>
INVESTING ACTIVITY		
Purchase of investments	<u>(223,275)</u>	-
FINANCING ACTIVITY		
Proceeds from loan payable	<u>100,000</u>	-
INCREASE (DECREASE) IN CASH	(140,054)	68,879
CASH - BEGINNING OF YEAR	<u>194,196</u>	<u>125,317</u>
CASH - END OF YEAR	<u>\$ 54,142</u>	<u>\$ 194,196</u>

See the accompanying notes to these financial statements

SCARBOROUGH MUSIC THEATRE

Notes to Financial Statements

Year Ended July 31, 2022

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, sponsorship 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.

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 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 excess of revenues over expenses.

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 excess (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.

SCARBOROUGH MUSIC THEATRE

Notes to Financial Statements

Year Ended July 31, 2022

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 and Guaranteed Investment Certificates maturing within 12 to 24 months from year end and earning interest between 0.25% and 0.35%.

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

During the fiscal year, 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 and is secured by a general security agreement covering all assets of the Organization.

The Organization is required to pay interest of \$926 monthly for eleven months, beginning one month from the initial drawdown. Principal plus interest shall be paid for the next ten years thereafter, until maturity. During the fiscal year, the Organization paid interest of \$668 (2021 - \$nil).

6. GRANTS

	2022	2021 <i>(Note 9)</i>
Ontario Trillium Foundation	\$ 45,000	\$ -
Business/Arts - ArtsVest program	1,875	1,875
Arts Council	1,000	-
	<u>\$ 47,875</u>	<u>\$ 1,875</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:

2023	\$ 45,600
2024	46,550
2025	47,500
2026	48,450
2027	49,400
	<u>\$ 237,500</u>

SCARBOROUGH MUSIC THEATRE

Notes to Financial Statements

Year Ended July 31, 2022

8. GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. The Organization continues to closely monitor and assess the impact on operations, and make adjustments accordingly. It is the opinion of management, the Organization will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2023 as a result of COVID-19.

The Organization received COVID-19 specific support from the government of Canada. As part of the response to COVID-19, the federal government introduced the Canada Emergency Rent Subsidy ("CERS") to assist employers whose activities have been affected by COVID-19. For fiscal 2022, the Organization applied for funding of \$17,599 (2021 - \$35,176), of which \$1,891 was receivable at year-end (2021 - \$6,878). The Organization also received COVID-19 assistance from the provincial government of Ontario of \$2,297 (2021 - \$6,809).
