

**THEATRE ONTARIO**

**Financial Statements**

**December 31, 2014**

*DRAFT #2 - May 11, 2015*

**Marinucci & Company**  
Chartered Accountants

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## **Independent Auditors' Report**

To the Directors of Theatre Ontario

We have audited the accompanying financial statements of Theatre Ontario, which comprise the balance sheet as at December 31, 2014 and the statements of operations 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Theatre Ontario as at December 31, 2014 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario  
*Date of approval*

*Marinucci & Company*  
Chartered Accountants  
Licensed Public Accountants

# THEATRE ONTARIO

## Balance Sheet as at December 31, 2014

	2014	2013
<b>ASSETS</b>		
Current:		
Cash (Note 3)	\$ 93,315	\$ 142,177
Amounts receivable (Note 3)	24,910	10,588
GST/HST recoverable	8,674	6,512
Prepaid expenses	<u>20,765</u>	<u>17,758</u>
	147,664	177,035
Intangible assets – website costs	3,468	6,936
Capital assets, net (Note 4)	<u>2,133</u>	<u>2,666</u>
	<u>\$ 153,265</u>	<u>\$ 186,637</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued liabilities	\$ 32,165	\$ 3,449
Professional and youth theatre training grants payable	63,513	64,382
Deferred grants (Note 5)	43,133	77,120
Deferred memberships and program revenues	<u>14,710</u>	<u>18,716</u>
	153,521	163,667
Deferred grants for capital asset purchases and website costs (Note 5)	<u>4,360</u>	<u>7,120</u>
	<u>157,881</u>	<u>170,787</u>
<b>NET ASSETS (LIABILITIES)</b>		
Internally restricted (Note 7)	-	1,227
Unrestricted	<u>(4,616)</u>	<u>14,623</u>
	<u>(4,616)</u>	<u>15,850</u>
	<u>\$ 153,265</u>	<u>\$ 186,637</u>

*Commitments (Note 6)*

On behalf of the Board: \_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying Notes to Financial Statements

# THEATRE ONTARIO

## Statement of Operations and Changes in Net Assets

For the year ended December 31, 2014

	2014	2013
<b>REVENUES</b>		
Government grants (Note 5)	\$ 317,228	\$ 291,859
Memberships	69,184	76,990
Summer courses and other training	50,951	45,813
Donations and sponsorships	46,064	40,573
Showcase, Festival and other programming	39,046	32,737
Bequest	4,785	56,896
Rental (Note 6)	7,200	7,200
Interest and other	540	1,293
	<u>534,998</u>	<u>553,361</u>
<b>EXPENSES</b>		
Salaries, contract fees and benefits	243,677	237,146
Professional and youth theatre training grants	120,067	120,547
Summer courses and other training	52,506	50,257
Occupancy (Note 6)	33,645	33,704
Branding project	30,152	8,747
Showcase, Festival and other programming	27,674	13,110
Communications	8,815	10,545
Board of Directors and Committees	4,125	2,079
General and administration	30,802	26,716
Amortization of deferred website costs	3,468	3,468
Amortization of capital assets	533	2,400
	<u>555,464</u>	<u>508,719</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(20,466)</b>	44,642
<b>NET ASSETS (LIABILITIES), beginning of year</b>	<u>15,850</u>	<u>(28,792)</u>
<b>NET ASSETS (LIABILITIES), end of year</b>	<u>\$ (4,616)</u>	<u>\$ 15,850</u>

See accompanying Notes to Financial Statements

# THEATRE ONTARIO

## Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
Cash generated by (used for):		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (20,466)	\$ 44,642
Add (deduct) items not involving cash:		
Amortization of capital assets	533	2,400
Amortization of deferred website costs	3,468	3,468
Amortization of deferred grants for website costs	(2,227)	(2,227)
Amortization of deferred grants for capital assets	(533)	-
Impact on cash of changes in non-cash working capital items:		
Amounts receivable and GST/HST recoverable	(16,484)	6,360
Prepaid expenses	(3,007)	(6,648)
Accounts payable and accrued liabilities	28,716	(4,000)
Deferred grants	(33,987)	31,127
Professional and youth theatre training grants payable	(869)	(2,567)
Deferred memberships and program revenues	(4,006)	3,119
	<u>(48,862)</u>	<u>75,674</u>
<b>FINANCING ACTIVITIES:</b>		
Capital asset grants received	<u>-</u>	<u>2,666</u>
<b>INVESTING ACTIVITIES:</b>		
Capital asset purchases	<u>-</u>	<u>(2,666)</u>
<b>INCREASE IN CASH</b>	<b>(48,862)</b>	<b>75,674</b>
<b>CASH, beginning of year</b>	<u><b>142,177</b></u>	<u><b>66,503</b></u>
<b>CASH, end of year</b>	<u><u><b>\$ 93,315</b></u></u>	<u><u><b>\$ 142,177</b></u></u>

See accompanying Notes to Financial Statements

# THEATRE ONTARIO

## Notes to Financial Statements

**December 31, 2014**

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### 1. NATURE AND PURPOSE OF THE ORGANIZATION

Theatre Ontario is an association of community, educational and professional theatre organizations and individuals who are dedicated to the development and maintenance of high quality theatre in Ontario that is accessible to and reflects all segments of society.

Theatre Ontario was incorporated without share capital under the laws of the Province of Ontario in 1971, and is registered with Canada Revenue Agency as a charitable organization.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies.

#### Revenue recognition

Theatre Ontario follows the deferral method of accounting for government grants, training courses and programs. Revenues are recognized in the year in which the activity takes place and related expenses are incurred.

Membership fees and fundraising proceeds are recognized as revenues when received.

Sales of publications and other earned revenues are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Financial instruments

Theatre Ontario initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash and cash equivalents and amounts receivable. The financial liabilities measured at amortized cost include accounts payable.

#### Capital assets and website costs

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of five years.

Intangible assets, which consist of costs to develop Theatre Ontario's website, are recorded at cost. Amortization is provided on a straight-line basis over its expected useful life of 5 years, commencing in 2011 when the website became operational.

Government grants received to finance the purchase of tangible capital assets and website-related costs are initially deferred on the balance sheet, and then amortized to revenues on the same basis as the related capital asset and website costs are amortized.

#### Measurement uncertainty

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

# THEATRE ONTARIO

## Notes to Financial Statements

**December 31, 2014**

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### 3. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and bank deposits residing in interest-bearing accounts at a major Canadian financial institution. Theatre Ontario also has overdraft facilities of \$25,000 on an unsecured basis. Cash balances and overdraft facilities are sufficient to cover accounts payable as they become due.

Amounts receivable consist principally of government funding.

The fair value of Theatre Ontario's financial instruments approximates their fair value due to the shorty term to maturity of the instruments. It is management's opinion that Theatre Ontario is not exposed to significant credit or liquidity risk on its financial instruments.

### 4. CAPITAL ASSETS

Capital assets consist of \$2,666 in computer equipment purchased in 2013 and funded by a capital asset grant from Ontario Trillium Foundation (see Note 5). No amortization of this capital asset purchase was recorded in 2013 as it was not placed into service until late in 2013. Amortization of the capital asset cost and related capital asset grant commenced in 2014.

### 5. GOVERNMENT GRANTS REVENUES AND DEFERRED GRANTS

Revenues from government grants recognized in the year are as follows:

	2014	2013
Ontario Arts Council:		
Operating grant	\$ 86,265	\$ 88,826
Professional and youth theatre training grants	120,000	120,000
Arts Investment Fund	-	13,936
Toronto Arts Council operating grant	11,500	11,500
Ontario Trillium Foundation:		
Project grant	33,987	8,746
Amortization of capital grant for website costs	2,227	2,227
Amortization of capital grant for capital assets	533	
City of Toronto Investing in Neighborhoods employment grant	59,830	43,935
Ontario Summer Experience employment grant	<u>2,886</u>	<u>2,689</u>
	<u>\$ 317,228</u>	<u>\$ 291,859</u>

Deferred government grants at December 31 are as follows:

	2014	2013
<i>For operations and projects:</i>		
Ontario Arts Council operating grant	\$ 43,133	\$ 43,133
Ontario Trillium Foundation project grant	<u>-</u>	<u>33,987</u>
	<u>43,133</u>	<u>77,120</u>

*For capital asset purchases and website costs:*

Ontario Trillium Foundation:		
Computer equipment	2,133	2,666
Website costs	<u>2,227</u>	<u>4,454</u>
	<u>4,360</u>	<u>7,120</u>
	<u>\$ 47,493</u>	<u>\$ 84,240</u>

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### 6. PREMISES LEASE

Theatre Ontario is party to an operating lease for office premises as co-tenant with 2 other third parties. Total annual rentals under the lease, which runs to December 31, 2015, are approximately \$90,000 in 2013; \$93,000 in 2014; and \$96,000 in 2015, of which Theatre Ontario's one-third share, as agreed with the other co-tenants, is approximately \$30,000; \$31,000; and \$32,000, respectively.

For the year ended December 31, 2014, Theatre Ontario recorded \$1,719 (2013 - \$1,542) in municipal property tax rebates, which are reflected in the statement of operations and changes in net assets as a reduction of occupancy costs.

Theatre Ontario subleases part of its office space to third parties and received \$7,200 (2013 - \$7,200) in rental income.

### 7. INTERNALLY RESTRICTED NET ASSETS

Certain donation amounts received in prior years from certain donors were initially internally restricted to be applied to periodic scholarships granted for professional and youth theatre programs. These awards were known as the Perry Short and Ron Epp Awards, in honor of the donors.

Effective December 31, 2013, the \$1,253 balance of the Ron Epp Award was transferred to unrestricted net assets.

Effective December 31, 2014, the \$1,227 balance of the Perry Short Award was transferred to unrestricted net assets.