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King's Theatre Society
Annapolis Royal, Nova Scotia

Financial Statements

December 31, 2018

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Independent Auditor's Report

To the Members of

King's Theatre Society

Qualified Opinion

We have audited the financial statements of **King's Theatre Society**, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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 **King's Theatre Society** as at December 31, 2018, and its results of operations 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 Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018, current assets as at December 31, 2018, and net assets as at January 1 and December 31 for 2018. Our audit opinion on the financial statements for the year ended December 31, 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 Society 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 audit 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Society's financial reporting process.

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Independent Auditor's Report (continued)

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 Entity's internal control.

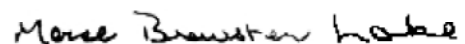
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 Entity'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 Entity 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.

Berwick, Nova Scotia
Date



Chartered Professional Accountants
Licensed Public Accountants

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King's Theatre Society Statement of Financial Position

December 31, 2018

	<u>2018</u>	<u>2017</u>
Assets		
Current		
Cash	\$ 9,989	\$ 6,522
Restricted Cash (note 7)	19,493	18,179
Accounts receivable	200	300
HST Receivable	2,310	2,143
Inventory	4,624	3,601
Prepaid expenses	<u>3,064</u>	<u>2,154</u>
	39,680	32,899
Property and Equipment (note 3)	<u>247,271</u>	<u>253,072</u>
	<u>\$ 286,951</u>	<u>\$ 285,971</u>
Liabilities		
Current		
Payables and accruals	\$ 12,527	\$ 12,792
Unearned revenue (note 4)	33,043	32,271
Payroll deductions payable	<u>2,317</u>	<u>2,019</u>
	47,887	47,082
Deferred Contributions (note 5)	<u>238,692</u>	<u>241,379</u>
	<u>286,579</u>	<u>288,461</u>
Net Assets		
Net Assets Invested in Property and Equipment (page 4)	8,579	11,693
Unrestricted Net Assets (Deficit) (page 4)	<u>(8,207)</u>	<u>(14,183)</u>
	<u>372</u>	<u>(2,490)</u>
	<u>\$ 286,951</u>	<u>\$ 285,971</u>
On Behalf of the Board		

_____, Director _____, Director

King's Theatre Society

Statement of Operations

Year Ended December 31, 2018

	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Revenue			
Live Shows	\$ 136,350	\$ 164,592	\$ 134,795
Films	57,500	76,566	62,793
Concessions and bar	24,000	26,367	21,898
Rental	10,500	13,807	22,776
HST	10,000	13,515	12,245
Miscellaneous	7,900	4,111	7,077
Grants	54,000	46,734	63,432
Fundraising	28,000	25,802	23,748
Donations	10,000	16,368	13,928
Memberships	9,000	9,550	8,638
	<u>347,250</u>	<u>397,412</u>	<u>371,330</u>
Cost of Goods Sold			
Live Shows	97,500	113,417	112,669
Films	28,800	36,257	33,932
Concession and bar	13,500	13,588	13,042
Rental	500	1,179	776
Miscellaneous	-	8	-
Fundraising	5,000	7,491	9,302
	<u>145,300</u>	<u>171,940</u>	<u>169,721</u>
Gross Profit	<u>201,950</u>	<u>225,472</u>	<u>201,609</u>
Expenditures			
Advertising	12,300	12,392	12,301
Dues and fees	500	353	940
Insurance	5,700	5,918	5,539
Interest and bank charges	5,700	6,173	4,842
Miscellaneous	500	248	804
Office supplies	4,550	5,733	5,743
Professional fees	4,900	4,530	4,031
Repairs and maintenance	10,550	14,338	11,489
Salaries and benefits	138,700	150,116	149,752
Training	1,000	933	875
Utilities	15,000	14,616	14,926
Travel	1,500	2,672	559
Website	500	1,474	2,205
	<u>201,400</u>	<u>219,496</u>	<u>214,006</u>
Excess of Revenue over Expenditure (Expenditures over Revenues) Before Amortization	550	5,976	(12,397)
Amortization of property and equipment	-	22,846	21,471
Amortization of deferred contributions	<u>-</u>	<u>(19,732)</u>	<u>(19,212)</u>
Excess of Revenue over Expenditures (Expenditures over Revenues)	<u>\$ 550</u>	<u>\$ 2,862</u>	<u>\$ (14,656)</u>

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King's Theatre Society

Statement Changes in of Net Assets

Year Ended December 31, 2018

			2018	2017
	Invested in <u>Property and Equip.</u>	Unrestricted <u>Net Assets</u>	<u>Total Net Assets</u>	<u>Total Net Assets</u>
Balance, beginning of year	\$ 11,693	\$ (14,183)	\$ (2,490)	\$ 12,166
Excess of Revenue over Expenditures (Expenditures over Revenues) for the year	<u>(3,114)</u>	<u>5,976</u>	<u>2,862</u>	<u>(14,656)</u>
Balance, end of year	<u><u>\$ 8,579</u></u>	<u><u>\$ (8,207)</u></u>	<u><u>\$ 372</u></u>	<u><u>\$ (2,490)</u></u>

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King's Theatre Society

Statement of Cash Flow

Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 2,862	\$ (14,656)
Non-cash deferred contribution	(19,732)	(19,212)
Non-cash amortization	<u>22,846</u>	<u>21,471</u>
	5,976	(12,397)
 Changes in		
Accounts receivable	(67)	406
Inventory	(1,023)	714
Prepaid expense	(910)	498
Accounts payable	33	977
Unearned revenue	<u>772</u>	<u>(12,129)</u>
	<u>4,781</u>	<u>(21,931)</u>
 Cash flow from financing activities:		
Deferred capital grants	<u>17,045</u>	<u>49,776</u>
	<u>17,045</u>	<u>49,776</u>
 Cash flow from investing activities:		
Purchase of equipment	<u>(17,045)</u>	<u>(51,407)</u>
	<u>(17,045)</u>	<u>(51,407)</u>
 Cash Increase (Decrease)	4,781	(23,562)
 Cash and Equivalencies, beginning of year	<u>24,701</u>	<u>48,263</u>
 Cash and Equivalencies, end of year	<u>\$ 29,482</u>	<u>\$ 24,701</u>
 Represented by:		
Cash	\$ 9,989	\$ 6,522
Restricted Cash	<u>19,493</u>	<u>18,179</u>
	<u>\$ 29,482</u>	<u>\$ 24,701</u>

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King's Theatre Society

Notes to Financial Statements

December 31, 2018

1. Nature of Operations

The Society commenced operation on January 1, 1988, in accordance with the provisions of its Memorandum of Association dated December 22, 1987. The Society was incorporated under the Societies Act of Nova Scotia on January 29, 1988. The Society is exempt from income taxes under Section 149 (1)(L) of the Income Tax Act. The Society objectives are to manage, maintain and operate King's Theatre in Annapolis Royal, Nova Scotia. To encourage the cultural, artistic and educational development of the region, and to engage performers, artists and other persons or groups to use the facility at King's Theatre.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for non for profit organizations.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of three months or less.

Revenue Recognition

The Society uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonable estimated and collection is reasonably assured.

Contributed Goods and Services

Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed goods are recorded as a donation at the fair market value of the goods.

Inventory

Inventory is valued at the lower of cost, determined using the first-in first-out method and net realizable value.

Property and Equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair market value at the date of contribution. Amortization of equipment is calculated using the diminishing balance method at the rates indicated in note 3. Leasehold improvements are amortized on a straight-line basis.

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King's Theatre Society

Notes to Financial Statements

December 31, 2018

2. Significant Accounting Policies Continued

Financial Instruments

In accordance with section 3855 of the CICA handbook, investments available for trade are to be reported at fair market value. Investment held to maturity are to be recorded at cost.

Fair Value of Financial Assets and Financial Liabilities

Financial instruments of the Society consist mainly of cash, accounts receivable, long-term investments, accounts payable and accrued liabilities. The carrying value of these financial instruments approximate their fair values unless otherwise indicated.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires 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 expenditures during the reported period. Actual results could differ from management best estimates as additional information becomes available in the future. The most significant accounting estimates in these financial statements include allowance for doubtful accounts, the estimated useful lives of property and equipment and unearned revenue.

3. Property and Equipment

		2018			2017
	Rates	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equip.	30%	\$ 4,863	\$ 3,996	\$ 867	\$ 1,461
Leasehold improv.	15yrs	220,769	54,604	166,165	180,883
Projector	6.67%	90,013	32,510	57,503	61,613
Piano	20%	11,534	10,368	1,166	1,458
Production equip.	20%	<u>85,981</u>	<u>64,411</u>	<u>21,570</u>	<u>7,657</u>
		<u>\$ 413,160</u>	<u>\$ 165,889</u>	<u>\$ 247,271</u>	<u>\$ 253,072</u>

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King's Theatre Society

Notes to Financial Statements

December 31, 2018

4. Unearned Revenue

	<u>2018</u>	<u>2017</u>
Unearned revenue, opening balance	\$ 32,271	\$ 44,400
Fund received in the year	16,051	35,037
Funds earned in the year	<u>(15,279)</u>	<u>(47,166)</u>
Unearned revenue, ending balance	<u>\$ 33,043</u>	<u>\$ 32,271</u>

Unearned revenue consists of restricted donations, gift certificates, sponsorships and sales relating to next year.

5. Deferred Contributions

	<u>2018</u>	<u>2017</u>
Deferred contributions, opening balance	241,379	210,815
Funds received in the year	17,045	49,776
Funds amortized in the year	<u>(19,732)</u>	<u>(19,212)</u>
Deferred contributions, ending balance	<u>\$ 238,692</u>	<u>\$ 241,379</u>

Deferred contributions are capital grants received and used to purchase equipment/leasehold improvements. The deferred contribution is amortized at the same rate as the amortization rate of the equipment/leasehold improvement purchased.

6. Capital Management

The Society's objectives in managing capital are to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors. Management and Directors of the Society monitor its capital on an ongoing basis by reviewing financial metrics, including cash flows and variances to forecasts and budgets.

7. Restricted Cash

The Society has received externally restricted donations that are for the building renovations (\$15,085) and for the Film Society (\$4,408).