

NEPTUNE THEATRE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2020

**NEPTUNE THEATRE FOUNDATION
INDEX
MAY 31, 2020**

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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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditors' 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 auditors' 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 Foundation'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 Foundation'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 auditors' report. However, future events or conditions may cause the Foundation 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
October 9, 2020

Chartered Professional Accountants

**NEPTUNE THEATRE FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2020**

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	Operating Fund	Capital Fund	Trident Endowment Fund	2020	Operating Fund	Capital Fund	Trident Endowment Fund	2019
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Productions (Schedule)	2,509,728	-	-	2,509,728	4,143,685	-	-	4,143,685
Grants (Schedule)	538,225	115,996	-	654,221	510,500	188,002	-	698,502
Development (Schedule)	762,041	-	-	762,041	582,735	-	-	582,735
Theatre school	322,894	-	-	322,894	310,053	-	-	310,053
Ticket surcharge	35,868	295,886	-	331,754	489,870	-	-	489,870
Other (Schedule)	773,931	105,953	(7,778)	872,106	1,148,309	109,952	7,778	1,266,039
	<u>4,942,687</u>	<u>517,835</u>	<u>(7,778)</u>	<u>5,452,744</u>	<u>7,185,152</u>	<u>297,954</u>	<u>7,778</u>	<u>7,490,884</u>
EXPENSES								
Administrative	1,399,224	491	-	1,399,715	1,472,298	14,681	-	1,486,979
Amortization	-	913,056	-	913,056	-	919,719	-	919,719
Bar	125,701	-	-	125,701	172,252	-	-	172,252
Box office	53,316	-	-	53,316	78,703	-	-	78,703
Building operations	320,555	-	-	320,555	330,801	-	-	330,801
Development	34,625	-	-	34,625	72,067	-	-	72,067
Front of house	98,327	-	-	98,327	113,855	-	-	113,855
Interest on (recovery of) inter-fund loan (Note 7)	-	(77,500)	-	(77,500)	-	48,333	-	48,333
Interest on long-term debt	-	134,635	-	134,635	-	155,456	-	155,456
Maintenance	-	515	-	515	-	4,322	-	4,322
Marketing	345,411	-	-	345,411	388,131	-	-	388,131
Productions (Schedule)	3,053,367	-	-	3,053,367	4,068,802	-	-	4,068,802
Sponsorships - in kind	245,039	-	-	245,039	201,245	-	-	201,245
Theatre rentals	32,540	-	-	32,540	26,316	-	-	26,316
Theatre school	190,156	-	-	190,156	243,458	-	-	243,458
Unrealized loss on investments	-	-	37,808	37,808	-	-	114,883	114,883
	<u>5,898,261</u>	<u>971,197</u>	<u>37,808</u>	<u>6,907,266</u>	<u>7,167,928</u>	<u>1,142,511</u>	<u>114,883</u>	<u>8,425,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(955,574)</u>	<u>(453,362)</u>	<u>(45,586)</u>	<u>(1,454,522)</u>	<u>17,224</u>	<u>(844,557)</u>	<u>(107,105)</u>	<u>(934,438)</u>

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
AS AT MAY 31, 2020

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	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2020 \$
Fund balances				
Balance, beginning of year	(567,445)	4,990,214	1,374,905	5,797,674
Deficiency of revenues over expenses	(955,574)	(453,362)	(45,586)	(1,454,522)
Restricted contributions	<u>-</u>	<u>-</u>	<u>58,677</u>	<u>58,677</u>
Balance, end of year	<u>(1,523,019)</u>	<u>4,536,852</u>	<u>1,387,996</u>	<u>4,401,829</u>
	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	Total 2019 \$
Fund balances				
Balance, beginning of year	(584,669)	5,834,771	1,437,360	6,687,462
Excess (deficiency) of revenues over expenses	17,224	(844,557)	(107,105)	(934,438)
Restricted contributions	<u>-</u>	<u>-</u>	<u>44,650</u>	<u>44,650</u>
Balance, end of year	<u>(567,445)</u>	<u>4,990,214</u>	<u>1,374,905</u>	<u>5,797,674</u>
	2020 Opening Balance \$	Externally Restricted Contributions \$	Deficiency of Revenues over Expenditures \$	Total 2020 \$
Trident Endowment Fund				
Externally restricted	684,972	58,677	-	743,649
Internally restricted	<u>689,933</u>	<u>-</u>	<u>(45,586)</u>	<u>644,347</u>
Balance, end of year	<u>1,374,905</u>	<u>58,677</u>	<u>(45,586)</u>	<u>1,387,996</u>

NEPTUNE THEATRE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2020

	ASSETS							2019
	Operating Fund	Capital Fund	Trident Endowment Fund	2020	Operating Fund	Capital Fund	Trident Endowment Fund	
	\$	\$	\$	\$	\$	\$	\$	\$
CURRENT								
Cash	118,504	759	27,092	146,355	440,778	78,417	18,520	537,715
Accounts receivable (Note 4)	219,819	18,611	-	238,430	93,171	-	-	93,171
Inventory	11,951	-	-	11,951	10,231	-	-	10,231
Other assets (Note 5)	285,809	-	-	285,809	231,731	-	-	231,731
Restricted deposits (Note 6)	58,677	-	-	58,677	44,650	-	-	44,650
Due from other funds (Note 7)	<u>242,758</u>	<u>-</u>	<u>-</u>	<u>242,758</u>	<u>334,128</u>	<u>-</u>	<u>-</u>	<u>334,128</u>
	937,518	19,370	27,092	983,980	1,154,689	78,417	18,520	1,251,626
RESTRICTED TRUST FUNDS (Note 8)	11,525	-	-	11,525	11,719	-	-	11,719
LONG-TERM INVESTMENTS (Note 9)	-	-	523,044	523,044	-	-	448,964	448,964
DUE FROM OTHER FUNDS (Note 7)	-	-	851,111	851,111	-	-	941,111	941,111
CAPITAL ASSETS (Note 10)	<u>-</u>	<u>10,191,675</u>	<u>-</u>	<u>10,191,675</u>	<u>-</u>	<u>10,980,585</u>	<u>-</u>	<u>10,980,585</u>
	<u>949,043</u>	<u>10,211,045</u>	<u>1,401,247</u>	<u>12,561,335</u>	<u>1,166,408</u>	<u>11,059,002</u>	<u>1,408,595</u>	<u>13,634,005</u>
LIABILITIES								
CURRENT								
Bank indebtedness (Note 11)	300,000	-	-	300,000	140	-	-	140
Accounts payable and accrued liabilities (Note 12)	495,853	-	-	495,853	577,154	-	-	577,154
Deferred revenue (Note 13)	1,664,684	50,464	-	1,715,148	1,144,840	77,790	-	1,222,630
Current portion of obligation under capital lease	-	7,061	-	7,061	-	-	-	-
Current portion of long-term debt	-	94,559	-	94,559	-	124,360	-	124,360
Due to other funds (Note 7)	<u>-</u>	<u>229,507</u>	<u>13,251</u>	<u>242,758</u>	<u>-</u>	<u>300,438</u>	<u>33,690</u>	<u>334,128</u>
	2,460,537	381,591	13,251	2,855,379	1,722,134	502,588	33,690	2,258,412
DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS (Note 14)	-	2,154,823	-	2,154,823	-	2,294,097	-	2,294,097
RESTRICTED TRUST FUND	11,525	-	-	11,525	11,719	-	-	11,719
OBLIGATION UNDER CAPITAL LEASE (Note 15)	-	16,666	-	16,666	-	-	-	-
LONG-TERM DEBT (Note 16)	-	2,270,002	-	2,270,002	-	2,330,992	-	2,330,992
DUE TO OTHER FUNDS (Note 7)	<u>-</u>	<u>851,111</u>	<u>-</u>	<u>851,111</u>	<u>-</u>	<u>941,111</u>	<u>-</u>	<u>941,111</u>
	<u>2,472,062</u>	<u>5,674,193</u>	<u>13,251</u>	<u>8,159,506</u>	<u>1,733,853</u>	<u>6,068,788</u>	<u>33,690</u>	<u>7,836,331</u>
FUND BALANCES								
EXTERNALLY RESTRICTED	-	-	743,649	743,649	-	-	684,972	684,972
INTERNALLY RESTRICTED	-	4,536,852	644,347	5,181,199	-	4,990,214	689,933	5,680,147
UNRESTRICTED FUNDS	<u>(1,523,019)</u>	<u>-</u>	<u>-</u>	<u>(1,523,019)</u>	<u>(567,445)</u>	<u>-</u>	<u>-</u>	<u>(567,445)</u>
	<u>949,043</u>	<u>10,211,045</u>	<u>1,401,247</u>	<u>12,561,335</u>	<u>1,166,408</u>	<u>11,059,002</u>	<u>1,408,595</u>	<u>13,634,005</u>

COMMITMENT (Note 19)
SUBSEQUENT EVENT (Note 24)

Approved by the Board

Director

Director

NEPTUNE THEATRE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2020

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	Operating Fund \$	Capital Fund \$	Trident Endowment Fund \$	2020 \$	2019 \$
CASH PROVIDED BY (USED FOR):					
OPERATING					
Deficiency of revenues over expenses	(955,574)	(453,362)	(45,586)	(1,454,522)	(934,438)
Items not affecting cash					
Amortization	-	913,056	-	913,056	919,719
Unrealized loss on investments	-	-	37,808	37,808	114,883
	(955,574)	459,694	(7,778)	(503,658)	100,164
Changes in non-cash working capital items					
Accounts receivable	(126,648)	(18,611)	-	(145,259)	129,876
Inventory	(1,720)	-	-	(1,720)	5,775
Other assets	(54,078)	-	-	(54,078)	155,086
Accounts payable and accrued liabilities	(81,301)	-	-	(81,301)	230,912
Deferred revenue	519,844	(27,326)	-	492,518	(877,007)
Deferred capital and other restricted contributions	-	(139,274)	-	(139,274)	(140,901)
	(699,477)	274,483	(7,778)	(432,772)	(396,095)
FINANCING					
Advances from other funds	91,370	-	69,561	160,931	225,821
Proceeds on line of credit	299,860	-	-	299,860	95
Payments on obligation under capital lease	-	(6,592)	-	(6,592)	-
Payments on long-term debt	-	(90,791)	-	(90,791)	(158,894)
	391,230	(97,383)	69,561	363,408	67,022
INVESTING					
Acquisition of capital assets	-	(93,827)	-	(93,827)	(39,683)
Acquisition of investments	-	-	(111,888)	(111,888)	(167,891)
Advances to other funds	-	(160,931)	-	(160,931)	(225,821)
Externally restricted contributions	-	-	58,677	58,677	44,650
Decrease (increase) in restricted deposits	(14,027)	-	-	(14,027)	59,307
	(14,027)	(254,758)	(53,211)	(321,996)	(329,438)
CHANGE IN CASH	(322,274)	(77,658)	8,572	(391,360)	(658,511)
CASH - beginning of year	440,778	78,417	18,520	537,715	1,196,226
CASH - end of year	118,504	759	27,092	146,355	537,715

NON-CASH TRANSACTION (Note 7)

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020**

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1. OPERATIONS

Neptune Theatre Foundation (the "Foundation") is a not-for-profit organization incorporated under the Societies Act of Nova Scotia. The Foundation owns and operates two theatres and a theatre school and stages professional theatre productions in Nova Scotia.

As a not-for-profit organization and a registered charity, the Foundation is exempt from income taxes under subsection 149.1(1) of the Income Tax Act.

2. GOING CONCERN CONSIDERATIONS

These financial statements have been prepared on the basis of the accounting principles applicable to going concern, which assumes that the Foundation will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There is doubt about the appropriateness of the going concern assumption due to the significant operating loss and deficit incurred by the Foundation during the year caused by the global spread of the Coronavirus disease 2019, (COVID-19). On March 11, 2020, the World Health Organization officially declared COVID-19 a pandemic and immediately thereafter organizations (including the Foundation and other theatres in the region and across the Country) have been forced to cease, limit or adapt operations for prolonged periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant business disruptions. As a result of COVID-19, the Foundation suspended the 2020-2021 season and closed the Theatre until the summer of 2021, when operations are expected to resume.

The Foundation has been proactively taking steps to mitigate the long-term impact of the closure of the theatre on its artists, employees and patrons, and has been developing contingency plans and working with private sector partners to defer expenses, generate revenues through digital media content and fundraising activities, and preserve capital in order to resume productions in 2021. In addition, the Foundation has been successfully working with its lenders to defer principal and interest repayments on credit facilities (Notes 7 and 16), and has received government funding through the Canada Emergency Wage Subsidy (CEWS) and other programs (Note 20) in order to manage operating and financing cash flow requirements during the closure period.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

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2. GOING CONCERN CONSIDERATIONS (Continued)

The Foundation's continuance as a going concern is dependent upon its ability to continue to effectively manage its financing cash flow requirements by working with private and public sector partners, and reopen the Theatre and attain profitable levels of operations to generate positive cash flows. As an interim measure, the Foundation is continuing to generate revenues through cultivating donor support and leveraging digital content. It is not possible at this time to predict with assurance the outcome of these activities.

If the going concern basis of accounting is not appropriate for these consolidated financial statements, adjustments would be necessary to the classifications and the carrying values of assets and liabilities to reflect the realization value of these accounts, and these adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

Operating Fund

The Operating Fund accounts for the Foundation's revenues and expenses related to the on-going operations of the Foundation and includes theatre program delivery and production, theatre school, development and marketing and supporting administrative activities. These funds are unrestricted with the exception of restricted trust funds, which are considered special reserves to fund bursaries and scholarships. Interest earned on these special reserve funds are held as restricted deposits and recorded in the Operating Fund. Investment income earned on restricted funds, including the Trident Endowment Fund, are unrestricted and recognized in other revenue in the Operating Fund.

Capital Fund

The Capital Fund accounts for the capital assets of the Foundation, including any acquisitions and dispositions. Revenues and expenses associated with these capital assets, including amortization, ticket surcharges, administration fees and amortization of any externally restricted contributions received to fund acquisitions are recorded in the Capital Fund.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trident Endowment Fund

The Trident Endowment Fund accounts for investment income earned on the endowment principal that is required to be maintained in the endowment capital. This includes unrealized gains and losses on investments on contributions made by the Foundation and related expenditures. Unrestricted contributions that have been internally restricted by the Board of Directors as endowed funds are recorded as revenue in the Trident Endowment Fund.

Cash

Cash consists of cash on hand and bank balances, excluding restricted deposits and trust funds, held with financial institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Other assets

Costs directly related to the development of subsequent years' productions are presented as other assets when the Foundation can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their estimated useful lives. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

Restricted deposits and trust funds

Restricted deposits and trust funds are recorded at cost and include accrued interest, less scholarships paid out, if any.

Long-term investments

The Foundation holds a wide variety of investments with varying terms and interest rates. Investments are recorded at market value. The market value of the Foundation's portfolio of securities is determined based on the closing price reported on recognized securities exchanges and on over-the-counter markets. Such indicated market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives using the following rates and method:

Buildings	15 years	Straight-line
Building improvements	10 years	Straight-line
Furniture and equipment	5 years	Straight-line
Vehicles under capital lease	Term of Lease	Straight-line

One half year's amortization is taken in the year of acquisition.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value 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.

Revenue recognition

The Foundation follows the deferral method of accounting for restricted contributions. The Foundation uses the following policies in recognizing revenue:

Restricted contributions

Externally restricted contributions to the Trident Endowment Fund are recorded as direct increases to the endowment fund balance.

Internally restricted contributions to the Capital Fund are deferred and amortized on the same basis as the assets acquired with these funds.

Internally and externally restricted contributions other than endowment and capital contributions are recognized as revenue in the year in which the related expenses are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Unrestricted contributions

Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured, with the exception of unrestricted contributions that have been internally restricted by the Board of Directors as endowment funds. Unrestricted contributions that are in the nature of a legacy donation are internally restricted by the Board of Directors as endowment funds when the operating results for a given year are in a surplus position. These contributions are recorded as revenue in the Trident Endowment Fund.

Subscriptions, ticket sales, ticket surcharges and other revenues

Subscription, ticket sales and ticket surcharge revenues are recognized when the production is performed. Revenues from single ticket sales for productions are recognized at the time of performance. Other revenues are recognized at the time the relevant production is performed, when the price is fixed or determinable and collection is reasonably assured.

Special events, theatre rentals and theatre school

Revenues received during the year for special events, theatre rentals and theatre school are recognized when the service is rendered, the price is fixed or determinable and collection is reasonably assured.

Government assistance

Government grants relating to operations are reflected as revenue in the Operating Fund as the underlying commitments are satisfied. Grants received for capital assets are amortized on the same basis as the related capital assets in the Capital Fund.

Government assistance related to the Canada Emergency Wage Subsidy (CEWS) is reflected as a reduction to the related expenses.

Donated goods and services

Donated goods and services are recognized in the financial statements when their fair value can be reasonably determined, they are used in the normal course of the Foundation's operations and would otherwise have been purchased. Revenue is recorded to reflect the donation and an expense is recorded to the appropriate expense account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Foundation is a non-profit organization under section 149.1(1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenses.

Financial assets measured at amortized cost include cash, accounts receivable, restricted deposits and restricted trust funds.

Financial assets measured at fair value include long-term investments.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, obligation under capital lease and long-term debt.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in excess (deficiency) of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, 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 not been recognized previously. The amount of a reversal is recognized in excess (deficiency) of revenues over expenses.

Transaction costs

The Foundation recognizes transaction costs in excess (deficiency) of revenues over expenses in the period incurred. However, the carrying amounts of the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their organization, issuance or assumption.

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance 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 and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, fair value of long-term investments, useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

4. ACCOUNTS RECEIVABLE	2020	2019
	\$	\$
<u>Operating Fund</u>		
Trade receivables	66,536	95,171
Allowance for doubtful accounts	(2,000)	(2,000)
Government remittances recoverable	<u>155,283</u>	<u>-</u>
	<u>219,819</u>	<u>93,171</u>
<u>Capital Fund</u>		
Interest receivable (Note 7)	<u>18,611</u>	<u>-</u>
5. OTHER ASSETS	2020	2019
	\$	\$
Production development	195,567	93,162
Royalties	68,129	106,250
Other	<u>22,113</u>	<u>32,319</u>
	<u>285,809</u>	<u>231,731</u>

6. RESTRICTED DEPOSITS

The Operating Fund bank balances include restricted deposits of the Trident Endowment Fund of \$58,677 (2019 - \$44,650).

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020**

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7. DUE FROM OTHER FUNDS

During fiscal 2018, the Trident Endowment Fund advanced a loan of \$1,000,000 to the Capital Fund. The outstanding balance as at May 31, 2020 was \$851,111 (2019 - \$941,111). The balance is non-interest bearing, with 5% of the outstanding balance due to the Aqueduct Foundation annually. The loan is repayable in full on the maturity date, October 31, 2032.

Prior to fiscal 2020, the above loan charged interest of 5% on an annual basis, payable to the Aqueduct Foundation. Due to the outbreak of the COVID-19 pandemic in March 2020, the Aqueduct Foundation retroactively removed the interest portion of the loan. As of May 31, 2020, interest of \$100,834 had been paid to the Aqueduct Foundation. Upon removal of the interest condition, \$82,223 was applied against the principal of the loan with the remaining \$18,611 being receivable by the Capital Fund as a grant. The recovery of any interest paid in prior years is recognized during the year as a reversal of accrued interest income previously recognized in the Trident Endowment Fund of \$7,778 and a recovery of interest on inter-fund loan of \$77,500 in the Capital Fund.

The Operating Fund has amounts due from Capital and Trident Endowment Funds. These balances are non-interest bearing, with no set terms of repayment, and as such are classified as current.

8. RESTRICTED TRUST FUNDS

	2020	2019
	\$	\$
John Blackmore bursary fund	785	1,031
Gerry Gordon scholarship fund	6,898	6,864
Linda Moore scholarship fund	<u>3,842</u>	<u>3,824</u>
	<u>11,525</u>	<u>11,719</u>

The trust funds represent amounts that have been donated to fund future bursaries and scholarships through interest earned on the funds which are held as restricted deposits. During the year, bursaries of \$250 (2019 - \$NIL) were paid out.

9. LONG-TERM INVESTMENTS

	2020	2019
	\$	\$
Fixed income	135,376	113,976
Equities	223,213	164,460
Mutual funds	<u>164,455</u>	<u>170,528</u>
	<u>523,044</u>	<u>448,964</u>

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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9. LONG-TERM INVESTMENTS (Continued)

Contributions of the Minister of Canadian Heritage, are restricted amounts and are available to the Foundation only in the form of interest earned and capital appreciation on the total endowment; therefore they have not been included above. The Minister of Canadian Heritage's investments have a market value of \$1,279,068 (2019 - \$1,288,785) on which the Foundation can earn interest.

10. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2020	Net 2019
	\$	\$	\$	\$
Land	388,308	-	388,308	388,308
Buildings	11,491,460	6,884,410	4,607,050	4,990,970
Building improvements	2,614,198	2,398,245	215,953	291,655
Furniture and equipment	6,491,805	1,533,695	4,958,110	5,309,652
Vehicles under capital lease	<u>30,319</u>	<u>8,065</u>	<u>22,254</u>	<u>-</u>
	<u>21,016,090</u>	<u>10,824,415</u>	<u>10,191,675</u>	<u>10,980,585</u>

During the year, the Foundation acquired a vehicle for \$30,319 through a capital lease.

11. BANK INDEBTEDNESS

The Foundation has an available line of credit of \$300,000 (2019 - \$300,000) with Scotiabank bearing interest at prime plus 1.25%. The outstanding balance at May 31, 2020 was \$300,000 (2019 - \$140).

All loans and facilities with the Bank of Nova Scotia are secured by a general security agreement covering all present and future property of the Foundation and a collateral mortgage for an unspecified amount over building premises.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Trade payables	317,602	185,544
Salaries and benefits payable	90,818	138,031
HST remittances payable	-	35,443
Accrued liabilities	79,959	210,802
Other payables	<u>7,474</u>	<u>7,334</u>
	<u>495,853</u>	<u>577,154</u>

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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13. DEFERRED REVENUE

Operating Fund

Deferred revenue of the Operating Fund includes subscription and voucher package sales for performances that take place after May 31, 2020, deposit payments on theatre rentals after May 31, 2020 and revenues for theatre school summer classes that take place in July and August 2020. These amounts will be recognized as revenue in the fiscal year that the performance or class takes place. Deferred revenue of the Operating Fund also includes deferred grants, donations and sponsorships that are restricted to be used in the next season and, as such, will be recognized as revenue in the fiscal year that the expenditures are incurred.

Deferred revenue also includes outstanding gift certificates. Gift certificate revenue is recognized in the Operating Fund when the gift certificates are redeemed by the holder, or five years after they are issued, whichever is sooner.

Operating Fund deferred revenue consists of:	2020	2019
	\$	\$
Donations and awards	23,657	23,896
Gift certificates	519,650	167,644
Grants	346,700	-
Performances	686,450	810,700
Sponsorship	15,200	5,000
Theatre rental	5,302	21,924
Theatre school	67,725	115,676
	<u>1,664,684</u>	<u>1,144,840</u>

Capital Fund

Deferred revenue of the Capital Fund consists of capital fund surcharges on tickets sold for performances that take place after May 31, 2020, and deferred capital and other restricted contributions that will be recognized as revenue during the fiscal year ending May 31, 2021.

14. DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS

Deferred capital and other restricted contributions consists of the unamortized balance of government grants and donations received that are restricted for the purchase of capital assets. Amortization of capital contributions is recognized as revenue in the statement of operations within the capital fund on the same basis as amortization is recorded for the assets acquired with the fund. The following is a summary of deferred capital and other restricted contributions as at May 31, 2020:

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

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**14. DEFERRED CAPITAL AND OTHER RESTRICTED CONTRIBUTIONS
(Continued)**

	Ticket Surcharges \$	Grants \$	Donations \$	2020 \$	2019 \$
Beginning of year	77,790	1,658,926	635,171	2,371,887	2,434,998
Received during the year	304,427	-	25,000	329,427	176,795
Recognized during the year	<u>(331,753)</u>	<u>(120,492)</u>	<u>(43,782)</u>	<u>(496,027)</u>	<u>(239,906)</u>
	50,464	1,538,434	616,389	2,205,287	2,371,887
Less current portion	<u>(50,464)</u>	<u>-</u>	<u>-</u>	<u>(50,464)</u>	<u>(77,790)</u>
	<u>-</u>	<u>1,538,434</u>	<u>616,389</u>	<u>2,154,823</u>	<u>2,294,097</u>

During the year, the Foundation received \$NIL (2019 - \$99,005) in government grants and donations related to the renovation of Scotiabank Studio Theatre and Fountain Hall. Cumulative funding for the renovation raised to date of \$2,555,367 (2019 - \$2,555,367) has been deferred by the Foundation, of which \$153,526 (2019 - \$163,414) has been recognized as revenue during the year. Renovations to Scotiabank Studio Theatre were completed in August 2016 and renovations to Fountain Hall were completed in November 2017.

15. OBLIGATION UNDER CAPITAL LEASE

	2020 \$	2019 \$
Dynamic Leasing, repayable in equal monthly instalments of \$706 until May 2023 including interest at 6.9% per annum. Secured by a vehicle with a net book value of \$22,989	23,727	-
Less current portion	<u>7,061</u>	<u>-</u>
	<u>16,666</u>	<u>-</u>

Future minimum lease payments due over the next three years on obligation under capital lease are as follows:

	\$
2021	8,478
2022	8,478
2023	<u>9,478</u>
	26,434
Less amount representing interest	<u>2,707</u>
Balance	<u>23,727</u>

**NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020**

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16. LONG-TERM DEBT	2020	2019
	\$	\$
The Bank of Nova Scotia, first mortgage, secured by the land and building located on Argyle Street in Halifax, Nova Scotia with a net book value of \$4,995,358, repayable in blended monthly instalments of \$22,295 beginning October 2020 until December 2021, including interest at a fixed rate of 5.63%. Any remaining balance becomes payable in January 2022.	2,364,561	2,455,352
Less: current portion	<u>94,559</u>	<u>124,360</u>
	<u>2,270,002</u>	<u>2,330,992</u>

Subsequent to year end, the Foundation obtained a principal payment deferral on its mortgage in response to the COVID-19 pandemic. Monthly payments have been postponed by six months. During this period, interest on the loan will continue to accrue and the full loan balance is still repayable in January 2022.

Principal payments due within each of the next two years on long-term debt is as follows:

	\$
2021	94,559
2022	2,270,002

17. TRIDENT ENDOWMENT FUND

The Trident Endowment Fund is a restricted fund established to further the long-term goals of the Neptune Theatre Foundation. Funds are invested through the Aqueduct Foundation on behalf of the Foundation.

The Minister of Canadian Heritage has established the Endowment Incentives Component of the Canada Culture Investment Fund ("Canada Culture") which seeks to develop the long-term financial and organizational stability and viability of arts organizations. The Foundation has partnered with Canada Culture because they are willing to match any donations and contributions made by the Foundation and its qualified donors. During the year ended May 31, 2020, the Minister of Canadian Heritage contributed \$24,581 to the fund, matching the Foundation's contributions of \$38,238 at approximately 60%, thus increasing the total principal of the fund to \$2,809,451 (2019 - \$2,746,632).

NEPTUNE THEATRE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

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17. TRIDENT ENDOWMENT FUND (Continued)

The initial and future contributions made by the Minister of Canadian Heritage are restricted amounts and are available to the Foundation only in the form of interest and capital appreciation earned on the total endowment. The Foundation records the accumulated fair market value of the Foundation's contribution of \$617,647 (2019 - \$497,187) on the statement of financial position. The principal contributions made by the Minister of Canadian Heritage and Official Languages (\$1,340,693; 2019 - \$1,316,112) are restricted assets of the Aqueduct Foundation and are not recorded.

For the purpose of calculating earned investment income and leveraging future contributions and donations, the Trident Endowment Fund is considered to have a market value of \$2,680,314 (2019 - \$2,689,602). The Aqueduct Foundation is to provide annual grants of income to the Foundation equal to a minimum of 3.5% of the market value as at December 31 less a 1% expense recovery allocation. Additional investment income can be requested by the Foundation in excess of the minimum amount, to a maximum as determined by the Aqueduct Foundation at December 31st each year. The investment income is to be allocated to the Foundation in accordance with the Income Tax Act and is being recognized as revenue through the Operating Fund when receivable.

The investment with the Aqueduct Foundation may be terminated by the Foundation at any time with the capital contribution and undisbursed income granted to Neptune Theatre Foundation. In the event that the investment with the Aqueduct Foundation was terminated, accessing the leveraging contributions provided by the Minister of Canadian Heritage to the endowment would require Ministerial approval.

18. DONATED MATERIALS AND SERVICES

Donated materials and services included in the statement of operations as in kind sponsorship revenue is offset by related expenses of the following nature:

	2020	2019
	\$	\$
Administrative	20,034	15,971
Marketing	149,005	98,474
Productions	<u>76,000</u>	<u>86,800</u>
	<u>245,039</u>	<u>201,245</u>

18. DONATED MATERIALS AND SERVICES (Continued)

Additionally, the Foundation receives a property tax exemption from the Halifax Regional Municipality which is valued per Property Valuation Services Corporation in the amount of \$477,580 (2019 - \$472,820). The property tax exemption is offset against the related expense and reported on a net basis in the statement of operations.

19. COMMITMENT

The Foundation rents premises under a lease with terms expiring in June 2020 (Note 24). The minimum lease payments for the next year are \$3,600.

20. GOVERNMENT ASSISTANCE

The Foundation has applied for and received approval for the Canada Emergency Wage Subsidy (CEWS) in the amount of \$147,170. This amount has been reflected in the financial statements as a receivable and a reduction of administrative and productions expenses of \$121,285 and \$25,885 respectively.

21. CAPITAL RISK MANAGEMENT

The Foundation's capital is comprised of Operating (Restricted and Unrestricted), Capital and Trident Endowment Fund balances. The Foundation's objectives when managing capital are to ensure that funds received are appropriately allocated based on their intended purpose. Furthermore, cash and investments are managed to ensure that the fiduciary responsibilities of the Foundation are met.

22. FINANCIAL INSTRUMENTS

Risks and concentrations

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at May 31, 2020.

The risks arising on financial instruments are limited to the following:

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. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, accounts receivable, restricted deposits, restricted trust funds and long-term investments. The Foundation deposits its cash, restricted deposits, restricted trust funds and long-term investments in reputable financial institutions and therefore believes the risk of loss to be remote.

22. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Foundation is exposed to credit risk from customer accounts receivable. The Foundation performs regular reviews of its accounts receivable and takes collection action when necessary. During the year the Foundation had bad debts in the amount of \$NIL (2019 - \$423). A provision for impairment of accounts receivable is established when there is objective evidence that the Foundation will not be able to collect all amounts due. At year end, the Foundation has recorded an allowance for doubtful accounts of \$2,000 (2019 - \$2,000). The Foundation does not have significant exposure to any individual customer or counterpart. Its customers are individuals and corporations in various industries.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities, obligation under capital lease and long-term debt. The accumulated operating deficit of \$1,524,019 (2019 - \$567,445) creates additional liquidity risks for the Foundation and its ability to effectively manage potential operating deficits in the future as disclosed in Note 2.

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 Foundation is exposed to currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk through its Trident Endowment Fund investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its financial obligations at variable interest rates.

22. FINANCIAL INSTRUMENTS (Continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

23. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

24. SUBSEQUENT EVENT

In June 2020, the Foundation renewed the lease for premises for three years, with terms expiring in June 2023. The minimum lease payments for each of the next four years under the renewed lease are as follows:

	\$
2021	40,700
2022	45,500
2023	46,700
2024	3,900

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NEPTUNE THEATRE FOUNDATION
SCHEDULE OF OPERATING FUND REVENUES AND PRODUCTION
EXPENSES
FOR THE YEAR ENDED MAY 31, 2020

	2020	2019
	\$	\$
REVENUES		
Productions		
Mainstage	1,600,333	2,758,573
Summer	394,327	1,024,297
Bonus features	242,499	184,990
Studio	206,169	141,995
Tour	<u>66,400</u>	<u>33,830</u>
	<u>2,509,728</u>	<u>4,143,685</u>
Grants		
Canada Council for the Arts - Operating	233,225	245,500
Nova Scotia Tourism, Culture and Heritage	240,000	240,000
Halifax Regional Municipality	35,000	25,000
Partnership Contribution	<u>30,000</u>	<u>-</u>
	<u>538,225</u>	<u>510,500</u>
Development		
Donations	249,653	121,035
Special events	36,020	15,325
Sponsorships - cash	231,329	245,130
Sponsorships - in kind (Note 18)	<u>245,039</u>	<u>201,245</u>
	<u>762,041</u>	<u>582,735</u>
Other revenues		
Administration	27,357	18,849
Bar	190,064	276,897
Box office	186,607	228,671
HST recovery	96,391	161,422
Investment income	100,000	300,000
Merchandise	31,915	24,966
Program advertising	40,063	76,343
Theatre rentals	<u>101,534</u>	<u>61,161</u>
	<u>773,931</u>	<u>1,148,309</u>
EXPENSES		
Productions		
Mainstage	1,483,885	2,134,174
Summer	399,345	757,692
Bonus features	142,906	172,047
Studio	189,531	163,272
Tour	19,495	52,815
Overhead	<u>818,205</u>	<u>788,802</u>
	<u>3,053,367</u>	<u>4,068,802</u>